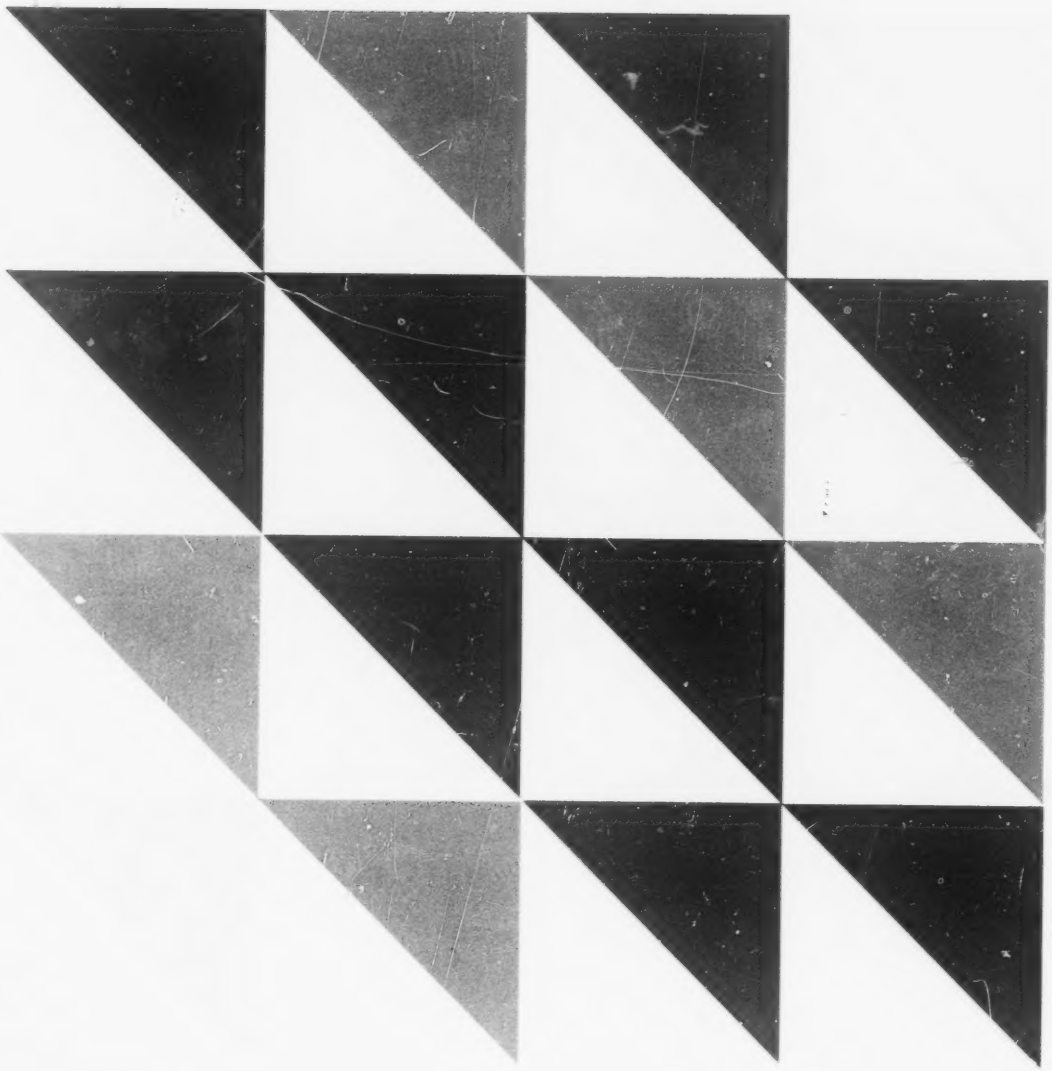
N A C D S

B 5165-2 (U)



1981 NACDS-LILLY DIGEST—A Survey of Chain Pharmacy Operations for 1980

BEST AVAILABLE COPY

A summary of the 1980 operations of 1,231 chain pharmacies

Published by Eli Lilly and Company
in cooperation with the
National Association of Chain Drug Stores, Inc.,
P.O. Box 1417-D49,
Alexandria, Virginia 22313,
as a service to managers of
multiple-unit pharmacy firms

Eli Lilly and Company
General Offices and Principal Laboratories
Indianapolis, Indiana 46285

Editor: Carl H. Deiner, R.Ph.
Art Editor: Ms. Linda Harris
Technical Assistance: Ms. Jeanne Sutton
Ms. Grace Witte
Ms. Linda Lanz

Copyright 1981 by Eli Lilly and Company 60-DR-0728 100653-118115 Litho in U.S.A.

Foreword

The NACDS-LILLY DIGEST is an annual publication that reports the average operating statistics of chain pharmacies. The primary purpose of the DIGEST is to provide useful information so that pharmacy managers can compare and evaluate individual unit performance and, when appropriate, initiate action for improvements. This eleventh edition summarizes the operating statistics of 1,231 individual pharmacy units that are members of chain operations with at least four stores. The majority of pharmacies included in the DIGEST belong to chains with 100 or more units.

Because of diversity within the industry, units must be grouped according to some recognized operating variables if their data are to be used for purposes of comparison. The section entitled "Chain Pharmacy Operations—1980" on pages 4 and 5 offers an overview of the industry. The "Heart of the NACDS-LILLY DIGEST" (pages 21 through 27) presents average operating statistics classified by total annual sales and daily prescription activity. Financial data are also summarized by geographic region, pharmacy location, and unit size, to furnish additional means of assessing an individual store's performance.

Eli Lilly and Company is pleased to provide this publication for the chain industry. With the cooperation of the National Association of Chain Drug Stores, Inc., its board of directors, and the participating members, this edition was made possible.

Note

The National Association of Chain Drug Stores, Inc., is proud to share in the publication of the NACDS-LILLY DIGEST. *This* DIGEST *has proved its worth as a valuable financial management tool and has been widely accepted as an accurate and comprehensive report of the chain store operating statistics.*

Robert J. Bolger, *President*
National Association of Chain Drug Stores, Inc.

Table of Contents

Page

1 **FOREWORD**

4 **CHAIN PHARMACY OPERATIONS—1980**

5 TABLE 1 Current trends in chain pharmacy operations

6 **SALES AND EXPENSES**

7 CHART 1 Selected operating statistics according to sales volume

8 TABLE 2 Chain operations according to sales volume

11 CHART 2 Inventory investment according to sales volume

12 **PRESCRIPTION DEPARTMENT REVIEW**

12 CHART 3 Total number of prescriptions dispensed

13 CHART 4 Total sales volume and employed pharmacist hours according to daily prescription activity

14 TABLE 3 Chain operations according to number of prescriptions dispensed daily

15 CHART 5 Selected operating statistics according to daily prescription activity

16 TABLE 4 Chain operations according to prescription revenue

18 **TEN-YEAR TRENDS IN PHARMACY OPERATIONS**

18 CHART 6 Sales growth—1971-1980

18 CHART 7 Net profit percentage—1971-1980

19 TABLE 5 Averages of pharmacy operations—1971-1980

20 TABLE 6 Prescription trends—1971-1980

21 **THE HEART OF THE NACDS-LILLY DIGEST**
1980 operations according to sales and prescription activity

22 TABLE 7 Sales under $1,000,000

24 TABLE 8 Sales $1,000,000 to $2,000,000

26 TABLE 9 Sales over $2,000,000

Page

28 **REVIEW BY THE NUMBER OF UNITS**

28 TABLE 10 Operations according to number of units in the chain

29 CHART 8 Selected operating statistics according to number of units in the chain

30 **SOURCES OF SUPPLY**

30 TABLE 11 Chain operations according to sources of supply

32 **RENT REVIEW**

32 CHART 9 Percent of pharmacies reporting various rent percentage ranges

33 TABLE 12 Rent correlated with various factors

34 **PHARMACY HOURS**

34 CHART 10 Pharmacy hours according to sales volume

35 **GEOGRAPHIC REVIEW**

35 TABLE 13 Geographic summary of selected statistics

36 TABLE 14 Chain operations according to geographic location

38 **PHARMACY LOCATION**

38 TABLE 15 Chain operations according to location

40 **TWO-YEAR COMPARISON OF THE SAME PHARMACIES**

40 TABLE 16 Summary of operating figures in pharmacies reporting one year and two years

41 **IN CONCLUSION**

Chain Pharmacy Operations 1980

The average NACDS-LILLY DIGEST pharmacy reported higher total sales during 1980 but continued to show a decline in the number of prescriptions dispensed. Since the increase in sales volume was accompanied by a much lower cost-of-goods-sold percentage, the gross margin rose to 28.9 percent of sales—the highest gross margin percentage in the history of the DIGEST. Total expenses climbed in terms of dollars and percentage of sales to record levels; however, the increase was more than offset by the rise in gross margin, with the result that net profit also improved over the previous year (up from 4.2 percent in 1979 to 4.4 percent of sales).

A total of 1,231 pharmacy units submitted 1980 operating data for this DIGEST. Another new record was achieved with average sales of $1,685,848. This represented a 4.9 percent growth over 1979 revenue, which was significantly lower than the average annual growth rate of 8.0 percent found over the past decade.

Prescription income advanced to 18.7 percent of total sales, as compared with the previous year's figure of 17.9 percent. Since the total number of prescriptions dispensed was slightly lower than the total recorded in 1979, the improvement in revenue was due to the 68-cent rise in the average prescription charge (from $6.56 to $7.24). Prescription sales productivity per square foot declined slightly to $658.93, but productivity for the nonprescription area increased somewhat, to $157.98 per square foot. Total sales per square foot showed a 7.0 percent gain over the 1979 figure to $183.03.

The total wage package (manager's salary plus employees' wages) always represents the greatest portion of total expenses. During 1980, this statistic rose to 11.2 percent of sales—up slightly from 11.1 percent in 1979. Of the components that make up the total wage package, manager's salary declined percentagewise to a new low of 1.6 percent of sales; however, in dollars, the amount attained an all-time high of just over $27,000. Employees' wages, as a percent of sales, matched the 1977 level of 9.6 percent, or 6.5 percent over the 1979 figure.

Miscellaneous operating expenses (those within the brace in Table 1) showed the largest increase both in dollars and as a percent of sales in NACDS-LILLY DIGEST history—moving from 10.0 percent of sales in 1979 to 10.6 percent. Although greater dollar amounts were reported, no important changes occurred in miscellaneous operating expenses, with the exception of the headquarters fee when expressed as a percent of sales. They were primarily responsible for the significant rise seen in the total expenses percentage during 1980.

The headquarters fee was 3.2 percent of sales, as compared with 2.9 percent in 1979. This percentage represents charges incurred by the central headquarters and allocated to the individual chain units. Of interest is the fact that warehouse fees declined from 2.6 to 2.4 percent of sales—which may reflect operating efficiencies in the chain distribution centers.

Rent remained unchanged at 2.7 percent of sales for 1980. Dollarwise, pharmacies posted a 4.0 percent increase in rent over the previous year. The average rental expenditure rose to $5.02 per square foot as compared with $4.98 in 1979. This was the first year that rent per square foot was above the $5.00 level.

The average floor area per unit increased 3.2 percent, or 277 square feet, to 8,957 square feet this year. Both the prescription and the nonprescription areas expanded during 1980. Sales generated from the larger floor area continued the overall uptrend in total sales per square foot that began in 1971. The 1980 figure ($183.03) is $12.05 more than the amount previously reported.

The total value of inventory advanced both dollarwise, from $227,115 to $242,092, and as a percentage, from 14.1 to 14.4 percent. As a result, inventory turnover declined to 5.0 times. Sales per dollar invested in prescription inventory continued to rise, up from $10.47 in 1979 to $10.61. Sales per dollar of nonprescription merchandise declined somewhat, as shown by a 2.4 percent loss (down from $6.61 to $6.45).

For the second consecutive year, there was less prescription activity in the average NACDS-LILLY DIGEST pharmacy. The number of prescriptions dispensed totaled 43,578, a 0.7 percent decrease from the 1979 figure. The ratio of new prescriptions to total prescriptions declined from 53.9 to 53.1 percent, whereas the ratio of renewed prescriptions rose from 46.1 to 46.9 percent. An increase in renewals of 1.1 percent was not enough to offset the lower number of new prescriptions, so that there was a small decrease in the number of total prescriptions dispensed. The average prescription charge rose 10.4 percent during 1980, from $6.56 to $7.24.

TABLE 1

Current trends in chain pharmacy operations

AVERAGES PER PHARMACY	1980 (1,231 Pharmacies)	1979 (1,293 Pharmacies)	Amount and Percent of Change
Sales			
Prescription	$ 315,341— 18.7%	$ 287,744— 17.9%	+ $ 27,597— 9.6%
Other	1,370,507— 81.3%	1,319,012— 82.1%	+ $ 51,495— 3.9%
Total	$1,685,848—100.0%	$1,606,756—100.0%	+ $ 79,092— 4.9%
Cost of goods sold	1,198,974— 71.1%	1,156,667— 72.0%	+ $ 42,307— 3.7%
Gross margin	$ 486,874— 28.9%	$ 450,089— 28.0%	+ $ 36,785— 8.2%
Expenses			
Manager's salary	$ 27,021— 1.6%	$ 26,515— 1.7%	+ $ 506— 1.9%
Employees' wages	161,598— 9.6%	151,781— 9.4%	+ $ 9,817— 6.5%
Rent	44,970— 2.7%	43,224— 2.7%	+ $ 1,746— 4.0%
Utilities (including telephone)	17,602— 1.1%	15,876— 1.0%	+ $ 1,726—10.9%
Insurance, licenses, and taxes (except on profit)	26,578— 1.6%	23,956— 1.5%	+ $ 2,622—10.9%
Repairs	5,574— 0.3%	4,831— 0.3%	+ $ 743—15.4%
Advertising	27,596— 1.6%	25,439— 1.6%	+ $ 2,157— 8.5%
Depreciation (except on buildings)	11,254— 0.7%	9,670— 0.6%	+ $ 1,584—16.4%
Supplies	8,911— 0.5%	7,881— 0.5%	+ $ 1,030—13.1%
Headquarters fee	53,958— 3.2%	46,357— 2.9%	+ $ 7,601—16.4%
All other direct store expenses	27,438— 1.6%	27,000— 1.6%	+ $ 438— 1.6%
	10.6%	10.0%	
Total expenses	$ 412,500— 24.5%	$ 382,530— 23.8%	+ $ 29,970— 7.8%
Net profit (before taxes)	$ 74,374— 4.4%	$ 67,559— 4.2%	+ $ 6,815—10.1%
Warehouse fee*	$ 25,543— 2.4%	$ 24,729— 2.6%	+ $ 814— 3.3%
As a percent of cost of goods sold	3.3%	3.7%	
Value of inventory at cost and as a percent of sales			
Prescription	$ 29,711— 9.4%	$ 27,491— 9.6%	+ $ 2,220— 8.1%
Other	212,381— 15.5%	199,624— 15.1%	+ $ 12,757— 6.4%
Total	$ 242,092— 14.4%	$ 227,115— 14.1%	+ $ 14,977— 6.6%
Annual rate of turnover of inventory	5.0 times	5.2 times	
Size of area*	sq. ft.	sq. ft.	
Prescription	448— 5.0%	403— 4.6%	+ 45—11.2%
Other	8,509— 95.0%	8,277— 95.4%	+ 232— 2.8%
Total	8,957—100.0%	8,680—100.0%	+ 277— 3.2%
Sales per square foot*			
Prescription	$658.93	$662.14	− $ 3.21— 0.5%
Other	157.98	147.06	+ $ 10.92— 7.4%
Total	183.03	170.98	+ $ 12.05— 7.0%
Sales per dollar invested in inventory			
Prescription	$10.61	$10.47	+ $ 0.14— 1.3%
Other	6.45	6.61	− $ 0.16— 2.4%
Net profit per dollar invested in inventory	$0.307	$0.297	+ $ 0.010— 3.4%
Number of prescriptions dispensed			
New	23,121— 53.1%	23,639— 53.9%	− 518— 2.2%
Renewed	20,457— 46.9%	20,238— 46.1%	+ 219— 1.1%
Total	43,578—100.0%	43,877—100.0%	− 299— 0.7%
Prescription charge	$7.24	$6.56	+ $ 0.68—10.4%
Number of hours per week			
Pharmacy was open	84 hours	84 hours	no change
Worked by manager	46 hours	46 hours	no change
Worked by employed pharmacist(s)	79 hours	81 hours	− 2— 2.5%

*Based on averages of pharmacies that reported all data

Sales and Expenses

One objective of pharmacy management is to increase sales volume. However, businesses that achieve long-term success are also concerned with maximizing profit and return on investment by controlling operating expenses and merchandise costs. If efficient control over operating costs is not exercised, greater sales volume may not be profitable for the chain unit.

Chart 1 and Table 2 illustrate how selected operating statistics vary according to sales volume. Although a chain pharmacy's financial data are affected by the level of sales activity, it is important to recognize that the characteristics of the individual unit also may have an impact on these figures. NACDS-LILLY DIGEST averages are adjusted to exclude refunds, sales tax collections, allowances to customers, and returns. The cost of goods sold is adjusted for discounts received, warehouse fees, and freight charges.

Chart 1 shows that as total sales rise, gross margin and total expenses decrease. However, the decline in total expenses occurs at a faster rate than does that of gross margin and results in a larger net profit for stores with greater volume. Net profit (gross margin less total expenses) is represented by the shaded area.

Table 2 indicates that larger operations were generally more profitable than smaller ones and demonstrates "economies of scale" in the various operating costs.

Chain pharmacy units with total sales volume under $500,000 may be unusual types of operations in comparison with the rest of the sample. It appears these stores are primarily newly opened outlets in which sales have yet to attain their full potential or smaller established firms that are experiencing sales losses due to changing markets or new competition. The future prospects for these units should be carefully appraised and evaluated with an awareness of the local conditions.

Gross Margin

As shown in Table 2, when total sales increase, gross margin drops from 34.7 percent in the lowest sales category (under $500,000) to 26.5 percent in stores with annual sales over $3,000,000. One of the contributing factors to the decline in gross margin may be the gradual reduction in the ratio of prescription sales to total sales as volume rises. Table 2 shows how prescription income falls as a percent of sales from 44.5 percent in units with sales volume under $500,000 to 12.3 percent in stores with revenue exceeding $3,000,000. Pharmacy outlets with greater volume also report the highest inventory turnover rates. It would appear that management is allowing leeway for these high-volume units to accept lower margins on goods as long as inventory turnover is sufficiently high and expenses are properly controlled, so that the desired level of return on investment is realized. It is also likely that stores with greater sales volume are located in areas characterized by intense price competition.

Expenses

Total expenses fell from 35.0 percent in stores with sales under $500,000 to 21.2 percent in units reporting over $3,000,000 (Table 2). Primarily responsible for this downtrend in total expenses is the total wage package (manager's salary plus employees' wages). Increased employee productivity is clearly evident when the wage package decreases from 18.0 to 9.8 percent of sales.

Miscellaneous operating expenses (all costs except manager's salary, employees' wages, and rent) declined from 12.4 percent of sales in the $500,000-to-$750,000 sales category to 9.1 percent in the highest. With rising sales volume, greater productivity was achieved in these expense items through economies of scale (Chart 1 and Table 2). Units with sales in excess of $3,000,000 reported the highest level of net profit (5.3 percent) and the lowest miscellaneous operating expenses (9.1 percent). This relationship illustrates the need for constant monitoring of the various items included in miscellaneous operating expenses, since, collectively, they have a significant impact on net profit.

Rental expenditure declined--from 5.0 percent of sales in the lowest category to 2.3 percent in the largest. This trend suggests that rental expense is relatively fixed in nature. Dollarwise, the average rental cost moved upward from just over

CHART 1

Selected operating statistics according to sales volume

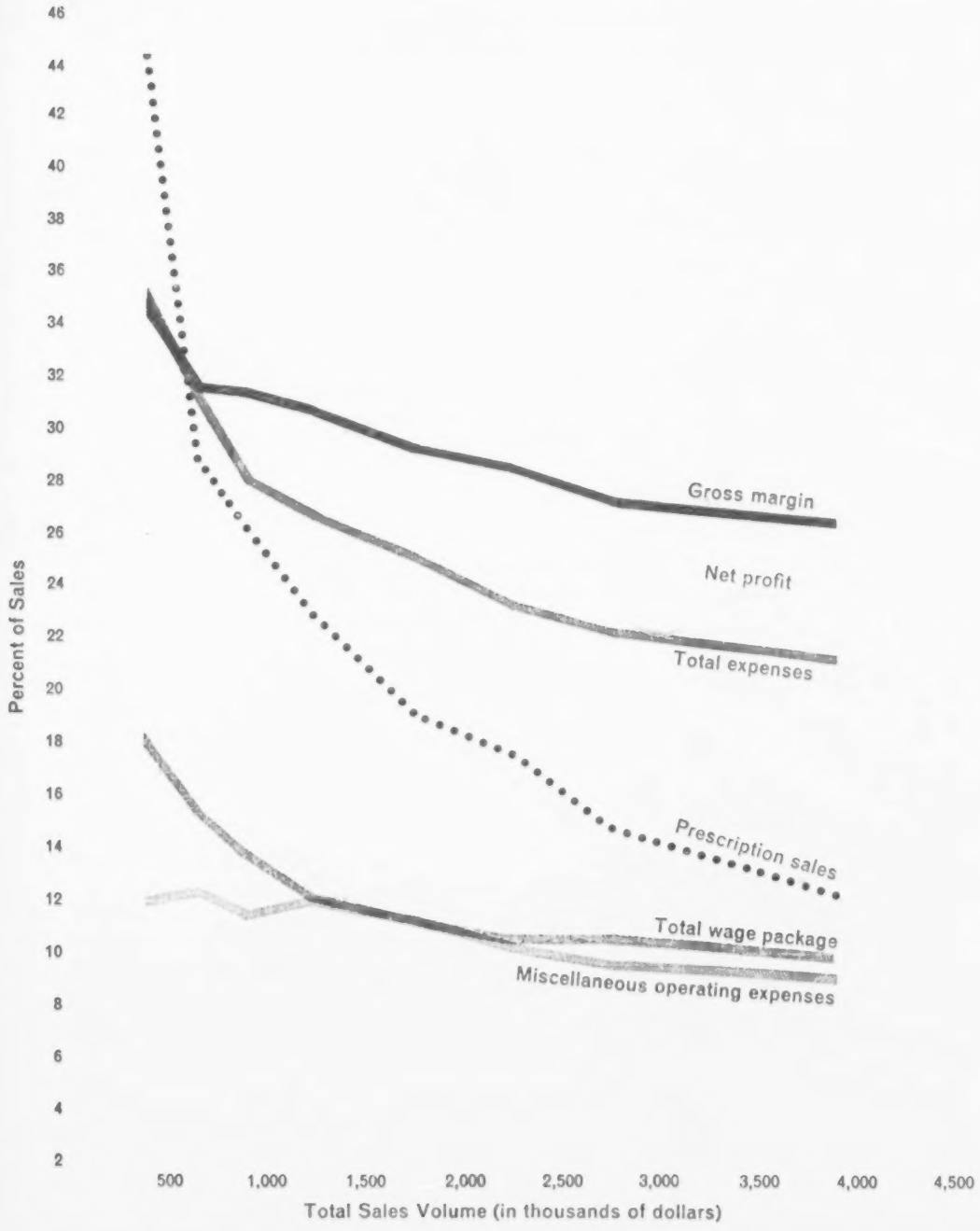


TABLE 2

Chain operations according to sales volume

AVERAGES PER PHARMACY	Total Sales under $500,000 (47 Pharmacies)	Total Sales $500,000 to $750,000 (87 Pharmacies)	Total Sales $750,000 to $1,000,000 (171 Pharmacies)
Sales			
Prescription	$159,754— 44.5%	$182,702— 28.9%	$229,645— 26.3%
Other	199,197— 55.5%	450,044— 71.1%	643,673— 73.7%
Total	$358,951—100.0%	$632,746—100.0%	$873,318—100.0%
Cost of goods sold	234,447— 65.3%	431,985— 68.3%	598,074— 68.5%
Gross margin	$124,504— 34.7%	$200,761— 31.7%	$275,244— 31.5%
Expenses			
Manager's salary	$ 23,235— 6.5%	$ 23,838— 3.8%	$ 23,856— 2.7%
Employees' wages	41,131— 11.5%	72,939— 11.5%	95,965— 11.0%
Rent	18,015— 5.0%	21,976— 3.5%	24,970— 2.9%
Utilities (including telephone)	4,475— 1.2%	9,005— 1.4%	11,202— 1.3%
Insurance, licenses, and taxes (except on profit)	7,998— 2.2%	15,087— 2.4%	17,490— 2.0%
Repairs	774— 0.2%	2,553— 0.4%	2,751— 0.3%
Advertising	5,047— 1.4%	10,168— 1.6%	14,736— 1.7%
Depreciation (except on buildings)	2,609— 0.7%	5,624— 0.9%	4,983— 0.6%
Supplies	1,708— 0.5%	4,428— 0.7%	5,594— 0.6%
Headquarters fee	11,934— 3.3%	22,780— 3.6%	32,494— 3.7%
All other direct store expenses	8,845— 2.5%	8,805— 1.4%	11,877— 1.3%
	12.0%	12.4%	11.5%
Total expenses	$125,771— 35.0%	$197,203— 31.2%	$245,918— 28.1%
Net profit (before taxes)	($ 1,267— 0.3%)	$ 3,558— 0.5%	$ 29,326— 3.4%
Value of inventory at cost and as a percent of sales			
Prescription	$ 23,450— 14.7%	$ 24,509— 13.4%	$ 25,402— 11.1%
Other	68,310— 34.3%	112,842— 25.1%	132,519— 20.6%
Total	$ 91,760— 25.6%	$137,351— 21.7%	$157,921— 18.1%
Annual rate of turnover of inventory	2.6 times	3.3 times	3.9 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.
Prescription	405 $389.69	379 $491.95	384 $596.69
Other	2,779 76.76	5,479 81.85	6,352 101.24
Total	3,184 116.60	5,858 108.38	6,736 129.51
Sales per dollar invested in inventory			
Prescription	$6.81	$7.45	$9.04
Other	2.92	3.99	4.86
Net profit per dollar invested in inventory	($0.010)	$0.030	$0.190
Number of prescriptions dispensed			
New	9,819— 48.3%	12,361— 50.5%	16,116— 51.6%
Renewed	10,496— 51.7%	12,136— 49.5%	15,090— 48.4%
Total	20,315—100.0%	24,497—100.0%	31,206—100.0%
Prescription charge	$7.86	$7.46	$7.36
Number of hours per week			
Pharmacy was open	66 hours	79 hours	82 hours
Worked by proprietor	48 hours	47 hours	47 hours
Worked by employed pharmacist(s)	34 hours	57 hours	68 hours

*Based on averages of pharmacies that reported all data

Total Sales $1,000,000 to $1,500,000 (324 Pharmacies)	Total Sales $1,500,000 to $2,000,000 (241 Pharmacies)	Total Sales $2,000,000 to $2,500,000 (146 Pharmacies)	Total Sales $2,500,000 to $3,000,000 (109 Pharmacies)	Total Sales over $3,000,000 (106 Pharmacies)
$ 285,928— 23.0%	$ 332,794— 19.2%	$ 394,903— 17.7%	$ 407,740— 14.9%	$ 477,064— 12.3%
954,770— 77.0%	1,399,500— 80.8%	1,833,588— 82.3%	2,332,452— 85.1%	3,395,699— 87.7%
$1,240,698—100.0%	$1,732,294—100.0%	$2,228,491—100.0%	$2,740,192—100.0%	$3,872,763—100.0%
860,335— 69.3%	1,224,487— 70.7%	1,590,889— 71.4%	1,993,150— 72.7%	2,846,143— 73.5%
$ 380,363— 30.7%	$ 507,807— 29.3%	$ 637,602— 28.6%	$ 747,042— 27.3%	$1,026,620— 26.5%
$ 25,098— 2.0%	$ 27,657— 1.6%	$ 28,725— 1.3%	$ 30,717— 1.1%	$ 34,696— 0.9%
124,571— 10.0%	164,976— 9.5%	203,061— 9.1%	255,167— 9.3%	345,827— 8.9%
35,343— 2.8%	49,707— 2.9%	57,426— 2.6%	63,326— 2.3%	90,687— 2.3%
13,629— 1.1%	18,400— 1.1%	22,845— 1.0%	28,347— 1.1%	32,857— 0.8%
20,722— 1.7%	26,584— 1.5%	29,158— 1.3%	42,404— 1.6%	56,971— 1.5%
4,141— 0.4%	5,255— 0.3%	7,293— 0.3%	8,312— 0.3%	14,655— 0.4%
24,224— 2.0%	31,873— 1.8%	36,008— 1.6%	32,333— 1.2%	56,767— 1.5%
7,737— 0.6%	11,266— 0.6%	13,503— 0.6%	21,862— 0.8%	26,540— 0.7%
6,510— 0.5%	8,796— 0.5%	11,457— 0.5%	16,324— 0.6%	17,603— 0.5%
49,288— 4.0%	63,507— 3.7%	71,349— 3.2%	63,951— 2.3%	91,139— 2.3%
21,161— 1.7%	29,492— 1.7%	39,486— 1.8%	46,787— 1.7%	54,124— 1.4%
12.0%	11.2%	10.3%	9.6%	9.1%
$ 332,424— 26.8%	$ 437,513— 25.2%	$ 520,311— 23.3%	$ 609,530— 22.3%	$ 821,866— 21.2%
$ 47,939— 3.9%	$ 70,294— 4.1%	$ 117,291— 5.3%	$ 137,512— 5.0%	$ 204,754— 5.3%
$ 28,481— 10.0%	$ 30,220— 9.1%	$ 32,928— 8.3%	$ 33,926— 8.3%	$ 37,544— 7.9%
170,923— 17.9%	228,647— 16.3%	260,973— 14.2%	299,508— 12.8%	420,009— 12.4%
$ 199,404— 16.1%	$ 258,867— 14.9%	$ 293,901— 13.2%	$ 333,434— 12.2%	$ 457,553— 11.8%
4.4 times	4.8 times	5.5 times	6.1 times	6.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
377 $704.99	504 $614.93	553 $673.88	535 $756.11	540 $826.81
7,187 133.94	8,783 162.10	9,768 189.21	12,248 190.97	16,484 210.44
7,564 162.43	9,287 186.67	10,321 215.18	12,783 214.60	17,024 230.01
$10.04	$11.01	$11.99	$12.02	$12.71
5.59	6.12	7.03	7.79	8.08
$0.240	$0.270	$0.400	$0.410	$0.450
21,090— 53.0%	24,743— 52.8%	29,987— 54.1%	30,437— 54.7%	34,696— 53.6%
18,731— 47.0%	22,131— 47.2%	25,433— 45.9%	25,227— 45.3%	30,070— 46.4%
39,821—100.0%	46,874—100.0%	55,420—100.0%	55,664—100.0%	64,766—100.0%
$7.18	$7.10	$7.13	$7.33	$7.37
82 hours	84 hours	87 hours	88 hours	86 hours
45 hours	46 hours	45 hours	46 hours	47 hours
71 hours	82 hours	94 hours	97 hours	102 hours

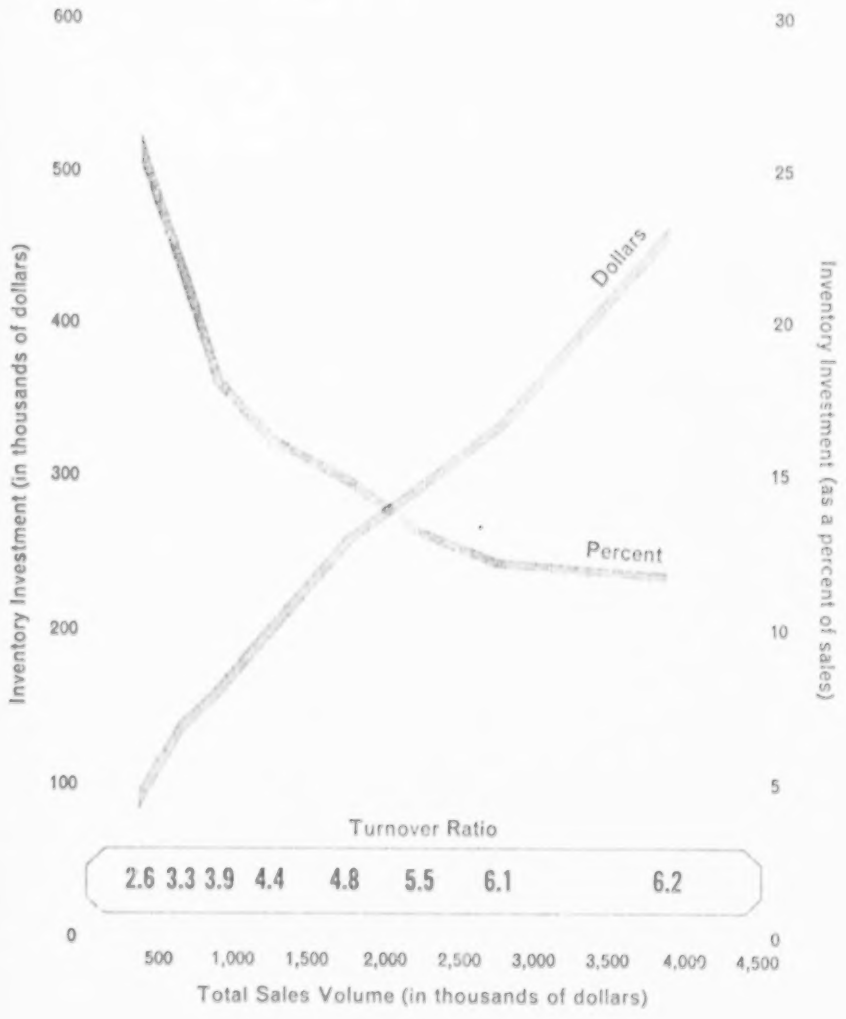
$18,000 to more than $90,000 as sales advanced. For a more detailed analysis of rental expenses, the section entitled "Rent Review" that appears on pages 32 and 33 may be a helpful reference.

Inventory Control

Effective utilization of the unit's assets to gain the greatest return on investment is another measure of managerial skill. Inventory represents the largest dollar asset that is directly affected by daily management decisions. Chart 2 illustrates the relationship between inventory and sales volume. As total sales increase, inventory dollars also rise (from $91,760 in the lowest category to $457,553 in the highest). However, percentagewise, inventory investment declines from 25.6 percent to 11.8 percent of sales in the highest sales class. Generally, the downward movement of inventory as a percent of sales reflects greater efficiencies and productivity. An upward trend is noted in the inventory turnover and net profit per dollar invested in inventory as sales progress; both peak when volume totals over $3,000,000. This sales category attained the highest turnover ratio at 6.2 times and the highest net profit per dollar of inventory (45 cents). Overall, inventory turnover rate ranged from 2.6 times in units with the lowest volume to 6.2 times in those with the highest. Net profit per dollar of inventory moved from a loss in pharmacies with income under $500,000 to 45 cents in the largest stores. Although changes in accounting procedures for inventory valuation are not discussed, the reported trends should be representative of current practices.

CHART **2**

Inventory investment according to sales volume



Prescription Department Review

For the second consecutive year, a decrease in the number of prescriptions dispensed was reported by chain pharmacies participating in the NACDS-LILLY DIGEST (Chart 3). The lower level of prescription activity was accompanied by a rise in the average prescription charge; therefore, prescription revenue accounted for a larger share of total sales. A higher average prescription charge can be influenced by changes in product mix, increased number of doses dispensed, higher merchandise costs, and greater dispensing costs. Thus, it is inaccurate to cite the rising "average prescription charge" as an indication of higher prescription prices.

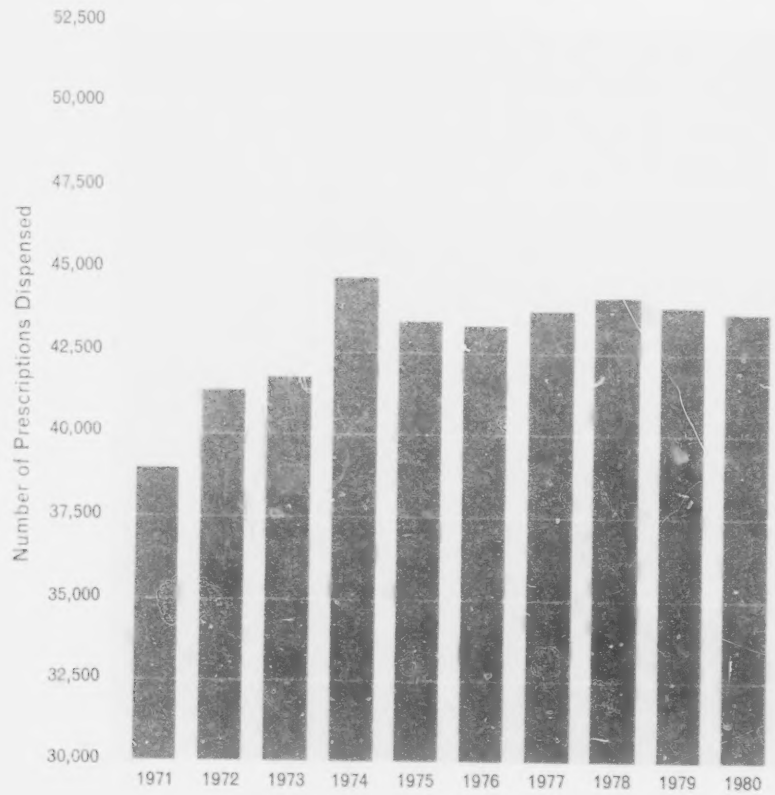
Since the prescription department continues to increase in importance to the average pharmacy unit, the impact of its activity on major operating statistics should be considered. Tables 3 and 4 present these comparisons at various levels of prescription volume.

Chart 4 and Table 3 show an upward trend in total sales with greater prescription activity. As would be expected, when both sales and daily prescription activity rise, the number of store hours open and the hours worked by employed pharmacists also move upward. However, employed pharmacist hours do not rise proportionately with greater prescription activity and total sales (Chart 4). As an example, the larger-volume operations were able to generate almost seven times the number of prescriptions with about a 40 percent increase in employed pharmacist hours as compared with data for stores in the smallest sales category. Such increased productivity may be achieved by the use of nonlicensed personnel and/or mechanical aids in the prescription department, which brings about efficiencies of scale. This may partially explain the variation in the number of prescriptions dispensed per employed pharmacist hour worked, particularly in the higher-volume pharmacy units.

Chart 5 graphically summarizes some of the major operating statistics to be found in Table 3. Since there is a direct correlation between sales volume and daily prescription activity, the overall operating trends are similar to those depicted in Chart 1 on page 7. Generally, as prescription activity increases, total expenses decline faster as a percent of sales than does gross margin, which results in a higher net profit for units with greater prescription demand—6.6 percent in comparison with a loss in the smallest category (Table 3). As discussed in previous editions of the NACDS-LILLY DIGEST, when prescription activity increases, the average prescription charge shows an overall downward trend.

CHART 3

Total number of prescriptions dispensed



Prescription inventory may be expected to be larger in units dispensing over 200 prescriptions daily ($46,270) than in those filling fewer than 50 prescriptions per day ($18,674) (Table 3). When prescription inventory investment is expressed as a percent of sales, the lowest sales category reported a stock investment of 19.2 percent as compared with 7.4 percent in the highest. A more meaningful measure of prescription inventory control is observed when the prescription sales per dollar of prescription inventory are examined (Chart 5 and Table 3). As the number of prescriptions dispensed daily increases, the prescription sales per dollar invested in inventory advance from $5.21 to $13.57; this trend shows a greater sales dollar return in these units as daily prescription activity grows.

Table 4 separates chain units according to prescription income as a percent of total sales. In contrast to Table 3, as the ratio of prescription revenue to total income rises, total sales and square footage decline. Pharmacies that do more prescription business also tend to realize a greater gross margin percentagewise. Total expenses, although higher, tend to increase more slowly than gross margin; consequently, such prescription-oriented stores earn a larger net profit. The rise in total expenses as prescription sales expand is accompanied by a larger total wage package expense, expressed as a percent of sales, which suggests a heavy reliance on the professional personnel needed to meet the demand of more prescription activity.

The average prescription charge varies among units whose prescription income was less than 50 percent of sales but generally goes up when prescription income rises as a percent of sales. In the highest category, the number of hours per week the pharmacy was open and the hours worked by employed pharmacists were the lowest.

The relationship of the number of prescriptions dispensed to employed pharmacist hours provides another interesting aspect of pharmacist productivity. To calculate this ratio, it is assumed that as the prescription workload increases, the amount of time the manager spends in the prescription department also becomes greater. Prescriptions dispensed per employed pharmacist hour climbed dramatically—from 3.0 in units with the lowest prescription income to 14.6 in the highest. The ratio declined in several of the lower prescription volume categories in comparison with the 1979 figures. In units with higher sales, productivity improved during 1980—possibly because the number of employed pharmacist hours worked per week did not increase proportionately with the rise in prescription activity.

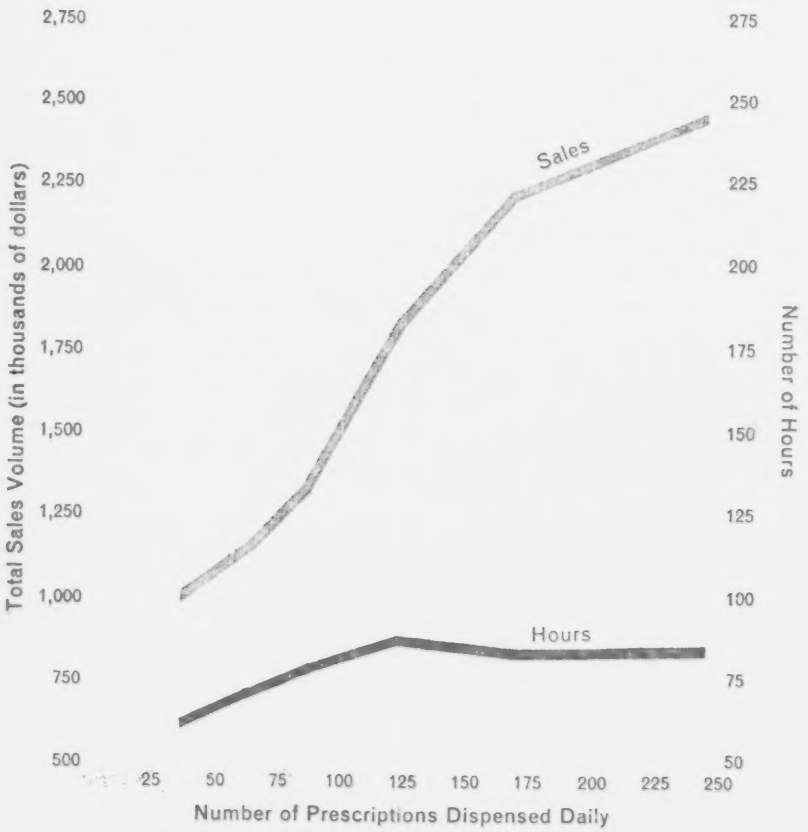


CHART 4

Total sales volume and employed pharmacist hours according to daily prescription activity

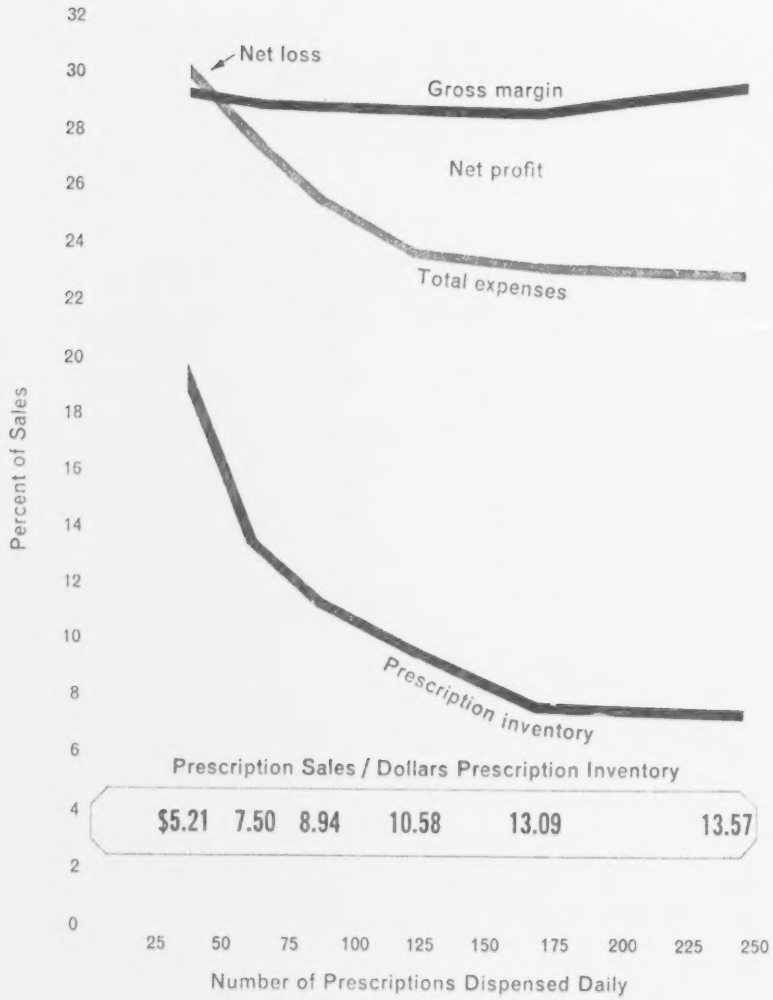
TABLE 3

Chain operations according to number of prescriptions dispensed daily

AVERAGES PER PHARMACY	Under 50 Prescriptions Daily (116 Pharmacies)		50 to 75 Prescriptions Daily (186 Pharmacies)		75 to 100 Prescriptions Daily (219 Pharmacies)		100 to 150 Prescriptions Daily (371 Pharmacies)	
Sales								
Prescription	$ 97,260	9.6%	$ 171,832	15.0%	$ 231,456	17.5%	$ 328,930	18.1%
Other	912,096	90.4%	970,739	85.0%	1,089,271	82.5%	1,491,782	81.9%
Total	$1,009,356	100.0%	$1,142,571	100.0%	$1,320,727	100.0%	$1,820,712	100.0%
Cost of goods sold	713,207	70.7%	812,329	71.1%	940,590	71.2%	1,298,120	71.3%
Gross margin	$ 296,149	29.3%	$ 330,242	28.9%	$ 380,137	28.8%	$ 522,592	28.7%
Expenses								
Manager's salary	$ 23,961	2.4%	$ 25,254	2.2%	$ 25,758	2.0%	$ 27,190	1.5%
Employees' wages	111,378	11.0%	119,493	10.5%	131,029	9.9%	173,722	9.5%
Rent	40,376	4.0%	34,875	3.1%	37,434	2.8%	44,969	2.5%
Utilities (including telephone)	12,935	1.3%	14,377	1.2%	15,194	1.2%	18,544	1.0%
Insurance, licenses, and taxes (except on profit)	26,161	2.6%	22,367	2.0%	22,400	1.7%	26,630	1.5%
Repairs	4,016	0.4%	4,029	0.3%	4,670	0.3%	6,008	0.3%
Advertising	19,061	1.9%	21,267	1.9%	22,116	1.7%	28,522	1.6%
Depreciation (except on buildings)	10,818	1.1%	8,805	0.7%	8,491	0.6%	12,014	0.7%
Supplies	6,621	0.6%	5,994	0.5%	6,445	0.5%	9,228	0.5%
Headquarters fee	29,732	2.9%	36,436	3.2%	41,457	3.1%	55,997	3.1%
All other direct store expenses	17,738	1.8%	21,967	1.9%	21,913	1.7%	28,021	1.5%
		12.6%		11.7%		10.8%		10.2%
Total expenses	$ 302,797	30.0%	$ 314,864	27.5%	$ 336,907	25.5%	$ 430,845	23.7%
Net profit (before taxes)	($ 6,648	0.7%)	$ 15,378	1.4%	$ 43,230	3.3%	$ 91,747	5.0%
Value of inventory at cost and as a percent of sales								
Prescription	$ 18,674	19.2%	$ 22,917	13.3%	$ 25,893	11.2%	$ 31,104	9.5%
Other	159,055	17.4%	165,310	17.0%	175,330	16.1%	223,089	15.0%
Total	$ 177,729	17.6%	$ 188,227	16.5%	$ 201,223	15.2%	$ 254,193	14.0%
Annual rate of turnover of inventory	4.0 times		4.3 times		4.7 times		5.2 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.		sq. ft.	
Prescription	342	$284.95	395	$437.98	452	$514.54	448	$737.83
Other	7,478	122.09	7,884	122.31	7,513	141.10	8,724	169.86
Total	7,820	139.93	8,279	149.24	7,965	178.88	9,172	235.30
Sales per dollar invested in inventory								
Prescription	$5.21		$7.50		$8.94		$10.58	
Other	5.73		5.87		6.21		6.69	
Net profit per dollar invested in inventory	($0.037)		$0.082		$0.215		$0.361	
Number of prescriptions dispensed								
New	7,316	56.1%	11,958	52.6%	16,544	52.5%	23,867	53.4%
Renewed	5,731	43.9%	10,788	47.4%	14,987	47.5%	20,832	46.6%
Total	13,047	100.0%	22,746	100.0%	31,531	100.0%	44,699	100.0%
Prescription charge	$7.45		$7.55		$7.34		$7.36	
Number of hours per week								
Pharmacy was open	78 hours		80 hours		83 hours		85 hours	
Worked by manager	46 hours		47 hours		46 hours		46 hours	
Worked by employed pharmacist(s)	61 hours		70 hours		77 hours		86 hours	

*Based on averages of pharmacies that reported all data

150 to 200 Prescriptions Daily (209 Pharmacies)		Over 200 Prescriptions Daily (130 Pharmacies)	
$ 433,371–	19.6%	$ 628,044–	25.6%
1,778,364–	80.4%	1,823,492–	74.4%
$2,211,735–	100.0%	$2,451,536–	100.0%
1,578,985–	71.4%	1,727,013–	70.4%
$ 632,750–	28.6%	$ 724,523–	29.6%
$ 29,273–	1.3%	$ 30,301–	1.2%
198,039–	9.0%	224,957–	9.2%
55,125–	2.5%	59,888–	2.4%
22,029–	1.0%	20,628–	0.9%
30,419–	1.4%	33,694–	1.4%
7,244–	0.3%	6,774–	0.3%
34,870–	1.6%	39,160–	1.6%
14,086–	0.7%	13,079–	0.5%
12,036–	0.5%	13,350–	0.5%
73,854–	3.3%	83,896–	3.4%
35,764–	1.6%	38,198–	1.6%
	10.4%		10.2%
$ 512,739–	23.2%	$ 563,925–	23.0%
$ 120,011–	5.4%	$ 160,598–	6.6%
$ 33,111–	7.6%	$ 46,270–	7.4%
259,305–	14.6%	283,732–	15.6%
$ 292,416–	13.2%	$ 330,002–	13.5%
	5.5 times		5.4 times
sq. ft.		sq. ft.	
546	$806.64	532	$1,203.18
10,481	181.61	9,565	212.63
11,027	293.15	10,097	471.11
	$13.09		$13.57
	6.86		6.43
	$0.410		$0.487
32,709–	53.4%	46,734–	52.3%
28,493–	46.6%	42,658–	47.7%
61,202–	100.0%	89,392–	100.0%
	$7.08		$7.03
	87 hours		84 hours
	45 hours		45 hours
	83 hours		84 hours



CHART

5

Selected operating statistics according to daily prescription activity

TABLE 4

Chain operations according to prescription revenue

AVERAGES PER PHARMACY	Prescription Income under 10 Percent of Sales (130 Pharmacies)		Prescription Income 10 to 20 Percent of Sales (511 Pharmacies)	
Sales				
Prescription	$ 173,337	7.3%	$ 303,409	15.2%
Other	2,188,876	92.7%	1,696,312	84.8%
Total	$2,362,213	100.0%	$1,999,721	100.0%
Cost of goods sold	1,733,857	73.4%	1,443,100	72.2%
Gross margin	$ 628,356	26.6%	$ 556,621	27.8%
Expenses				
Manager's salary	$ 30,279	1.3%	$ 27,466	1.4%
Employees' wages	218,501	9.2%	194,943	9.7%
Rent	71,563	3.0%	52,126	2.6%
Utilities (including telephone)	24,483	1.1%	21,372	1.1%
Insurance, licenses, and taxes (except on profit)	41,519	1.8%	32,356	1.6%
Repairs	10,314	0.4%	6,561	0.3%
Advertising	41,502	1.8%	29,573	1.5%
Depreciation (except on buildings)	23,065	1.0%	13,670	0.7%
Supplies	12,401	0.5%	10,535	0.5%
Headquarters fee	58,787	2.5%	55,831	2.8%
All other direct store expenses	38,526	1.6%	33,865	1.7%
		10.7%		10.2%
Total expenses	$ 570,940	24.2%	$ 478,298	23.9%
Net profit (before taxes)	$ 57,416	2.4%	$ 78,323	3.9%
Value of inventory at cost and as a percent of sales				
Prescription	$ 22,209	12.8%	$ 29,528	9.4%
Other	304,408	13.9%	235,683	13.9%
Total	$ 326,617	13.8%	$ 264,211	13.2%
Annual rate of turnover of inventory	5.3 times		5.5 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	475	$374.06	462	$656.73
Other	13,310	170.86	9,542	177.77
Total	13,785	177.86	10,004	199.89
Sales per dollar invested in inventory				
Prescription	$7.80		$10.64	
Other	7.19		7.20	
Net profit per dollar invested in inventory	$0.176		$0.296	
Number of prescriptions dispensed				
New	12,856	54.8%	22,519	53.9%
Renewed	10,583	45.2%	19,239	46.1%
Total	23,439	100.0%	41,758	100.0%
Prescription charge	$7.40		$7.27	
Number of hours per week				
Pharmacy was open	84 hours		85 hours	
Worked by manager	47 hours		46 hours	
Worked by employed pharmacist(s)	84 hours		89 hours	

*Based on averages of pharmacies that reported all data

Prescription Income 20 to 30 Percent of Sales (361 Pharmacies)	Prescription Income 30 to 40 Percent of Sales (165 Pharmacies)	Prescription Income 40 to 50 Percent of Sales (28 Pharmacies)	Prescription Income over 50 Percent of Sales (36 Pharmacies)
$ 336,184— 24.6%	$ 397,146— 34.0%	$422,652— 43.3%	$349,901— 71.7%
1,031,789— 75.4%	770,700— 66.0%	553,701— 56.7%	138,158— 28.3%
$1,367,973—100.0%	$1,167,846—100.0%	$976,353—100.0%	$488,059—100.0%
946,926— 69.2%	789,757— 67.6%	662,680— 67.9%	308,770— 63.3%
$ 421,047— 30.8%	$ 378,089— 32.4%	$313,673— 32.1%	$179,289— 36.7%
$ 25,746— 1.9%	$ 26,429— 2.3%	$ 25,829— 2.6%	$ 25,348— 5.2%
133,227— 9.7%	110,000— 9.4%	103,466— 10.6%	48,981— 10.0%
35,534— 2.6%	31,410— 2.7%	22,510— 2.3%	21,625— 4.4%
14,583— 1.1%	11,620— 1.0%	9,351— 1.0%	3,333— 0.7%
20,302— 1.5%	16,614— 1.4%	16,238— 1.7%	7,268— 1.5%
4,278— 0.3%	3,311— 0.3%	2,144— 0.2%	478— 0.1%
24,912— 1.8%	23,154— 2.0%	18,250— 1.9%	3,855— 0.8%
7,484— 0.5%	5,725— 0.5%	4,582— 0.5%	2,635— 0.5%
7,197— 0.5%	6,726— 0.6%	5,097— 0.5%	3,419— 0.7%
54,216— 4.0%	53,964— 4.6%	41,489— 4.2%	17,004— 3.5%
21,479— 1.6%	16,544— 1.4%	17,732— 1.8%	13,480— 2.8%
11.3%	11.8%	11.8%	10.6%
$ 348,958— 25.5%	$ 305,497— 26.2%	$266,688— 27.3%	$147,426— 30.2%
$ 72,089— 5.3%	$ 72,592— 6.2%	$ 46,985— 4.8%	$ 31,863— 6.5%
$ 30,951— 9.2%	$ 33,476— 8.4%	$ 36,341— 8.6%	$ 38,740— 11.1%
188,622— 18.3%	167,403— 21.7%	135,887— 24.5%	53,196— 38.5%
$ 219,573— 16.1%	$ 200,879— 17.2%	$172,228— 17.6%	$ 91,936— 18.8%
4.5 times	4.1 times	4.0 times	3.4 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
428 $719.21	406 $857.61	342 $1,166.48	555 $670.68
7,092 134.16	6,084 111.62	5,030 106.10	1,554 96.24
7,520 167.45	6,490 158.33	5,372 173.62	2,109 247.29
$10.86	$11.86	$11.63	$9.03
5.47	4.60	4.07	2.60
$0.328	$0.361	$0.273	$0.347
25,068— 53.4%	28,631— 51.8%	27,172— 47.6%	20,804— 46.8%
21,845— 46.6%	26,672— 48.2%	29,895— 52.4%	23,661— 53.2%
46,913—100.0%	55,303—100.0%	57,067—100.0%	44,465—100.0%
$7.17	$7.18	$7.41	$7.87
83 hours	83 hours	78 hours	62 hours
46 hours	46 hours	46 hours	48 hours
73 hours	67 hours	66 hours	49 hours

Ten-Year Trends in Pharmacy Operations

Trends in the average operating statistics of the chain drugstore industry are reflected in Charts 6 and 7 and Tables 5 and 6 and span the period from 1971 through 1980. Future projections may be based on proper market data, anticipated opportunities, and an understanding of the patterns observed in past years.

Sales, Expenses, Inventory Levels

For the fifth consecutive year, annual sales volume in the typical NACDS-LILLY DIGEST unit showed a positive increase (Chart 6). The growth recorded during the second half of the 1970-1980 decade is impressive, and it is anticipated that this trend will be demonstrated again in future reports. Chart 7 illustrates the erratic pattern of net profit before taxes. In 1980, net profit returned to the 1978 level of 4.4 percent of sales. Although this figure has fluctuated frequently over the past decade, the overall trend has been downward.

The cost of goods sold declined to a new level of 71.1 percent of sales, and, therefore, gross margin attained an all-time high of 28.9 percent (up 0.9 percent over the previous year's figure) (Table 5). Higher total expenses may be explained by the observation that the total wage package and miscellaneous operating expenses, collectively, increased by 0.7 percent. Rent remained unchanged at 2.7 percent, which reinforces a slight long-term downtrend in this operating statistic. One area that calls for more attention to cost

CHART 6 Sales growth—1971-1980

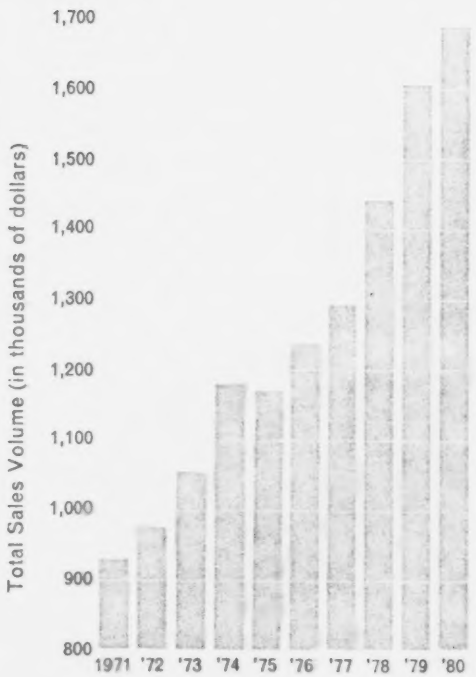
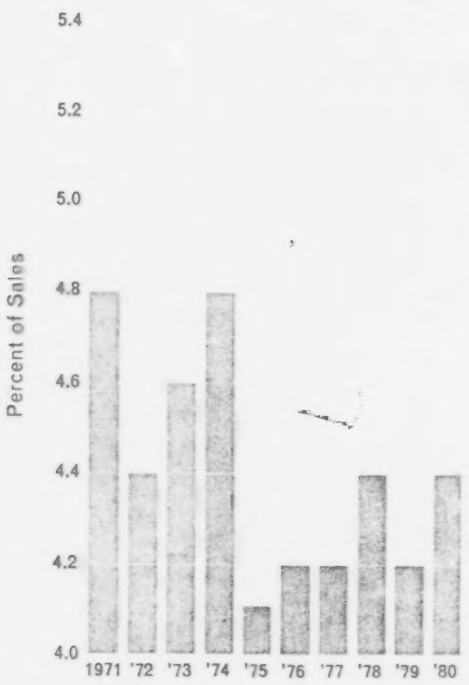


CHART 7 Net profit percentage—1971-1980



control is miscellaneous operating expenses (all costs incurred except for the manager's salary, employees' wages, and rent); the expenses rose dramatically after several years of apparent stability (up from 10.0 percent to 10.6 percent). Control of these relatively small individual costs will help improve net profit for the operation.

As a percent of sales, inventory had shown no definite pattern prior to 1975, when there was a significant reduction in this figure as compared with that for the preceding year. Since that year, the inventory-at-cost statistic has behaved in a somewhat erratic manner—increasing 0.3 percent during 1980 to 14.4 percent of sales. This gain was most evident with the front-end merchandise, which went up from 15.1 to 15.5 percent of sales (Table 6). Prescription inventory dropped from 9.6 to 9.4 percent of sales to reach an all-time low.

Table 6 illustrates trends in the prescription department. The average number of prescriptions dispensed continued to show a decline similar to that recorded during 1975 and 1976. Prescription sales were up 9.6 percent, as a result of the 10.4 percent rise in the average prescription charge. It is interesting to note that in the past ten years the annual revenue from prescription sales has more than doubled. The prescription department's share of total sales at 18.7 percent was the second highest reported for the decade, surpassed only by the 1977 figure of 18.9 percent. The number of

TABLE 5 Averages of pharmacy operations—1971-1980 (based on all pharmacies reporting)

EXPRESSED IN DOLLARS

Year	Sales	Cost of Goods Sold	Gross Margin	Manager's Salary	Employees' Wages	Rent	Miscellaneous Operating Expenses	Total Expenses	Net Profit	Inventory at Cost
1971	$ 933,611	$ 669,178	$264,433	$18,852	$ 93,194	$26,835	$ 80,515	$219,396	$45,037	$134,029
1972	979,285	703,865	275,420	18,635	99,248	27,400	86,984	232,267	43,153	139,321
1973	1,057,680	759,102	298,578	19,373	103,024	30,244	97,382	250,023	48,555	154,338
1974	1,182,634	849,821	332,813	24,178	110,880	32,588	108,621	276,267	56,546	174,582
1975	1,173,318	842,774	330,544	24,367	114,412	32,504	110,946	282,229	48,315	164,487
1976	1,238,846	894,485	344,361	22,581	115,968	32,986	120,569	292,104	52,257	184,852
1977	1,295,213	929,644	365,569	22,789	124,534	34,769	129,484	311,576	53,993	195,234
1978	1,443,299	1,036,746	406,553	24,187	137,166	37,555	144,065	342,973	63,580	209,718
1979	1,606,756	1,156,667	450,089	26,515	151,781	43,224	161,010	382,530	67,559	227,115
1980	1,685,848	1,198,974	486,874	27,021	161,598	44,970	178,911	412,500	74,374	242,092

EXPRESSED IN PERCENTAGE OF SALES

Year	Sales	Cost of Goods Sold	Gross Margin	Manager's Salary	Employees' Wages	Rent	Miscellaneous Operating Expenses	Total Expenses	Net Profit	Inventory at Cost
1971	100.0	71.7	28.3	2.0	10.0	2.9	8.6	23.5	4.8	14.4
1972	100.0	71.9	28.1	1.9	10.1	2.8	8.9	23.7	4.4	14.2
1973	100.0	71.8	28.2	1.8	9.7	2.9	9.2	23.6	4.6	14.6
1974	100.0	71.9	28.1	2.0	9.4	2.8	9.1	23.3	4.8	14.8
1975	100.0	71.8	28.2	2.1	9.8	2.8	9.4	24.1	4.1	14.0
1976	100.0	72.2	27.8	1.8	9.4	2.7	9.7	23.6	4.2	14.9
1977	100.0	71.8	28.2	1.8	9.6	2.7	9.9	24.0	4.2	15.1
1978	100.0	71.8	28.2	1.7	9.5	2.6	10.0	23.8	4.4	14.5
1979	100.0	72.0	28.0	1.7	9.4	2.7	10.0	23.8	4.2	14.1
1980	100.0	71.1	28.9	1.6	9.6	2.7	10.6	24.5	4.4	14.4

new prescriptions dropped to the 1978 level of 53.1 percent of all prescriptions dispensed. The productivity of prescription stock (sales per dollar of prescription inventory) as well as prescription inventory (as a percent of sales) also set new records—$10.61 and 9.4 percent respectively. Productivity of the nonprescription area has been inconsistent since 1971, and a decline of 16 cents, to $6.45, was observed during 1980 in nonprescription sales per dollar of inventory.

The floor area of the typical chain pharmacy unit has expanded from 7,852 square feet in 1971 to 8,957 square feet in 1980. The sales productivity of this space increased from $120.37 to $183.03 per square foot between 1971 and 1980, which suggests that more sales are being generated from the allotted floor space in the participating stores.

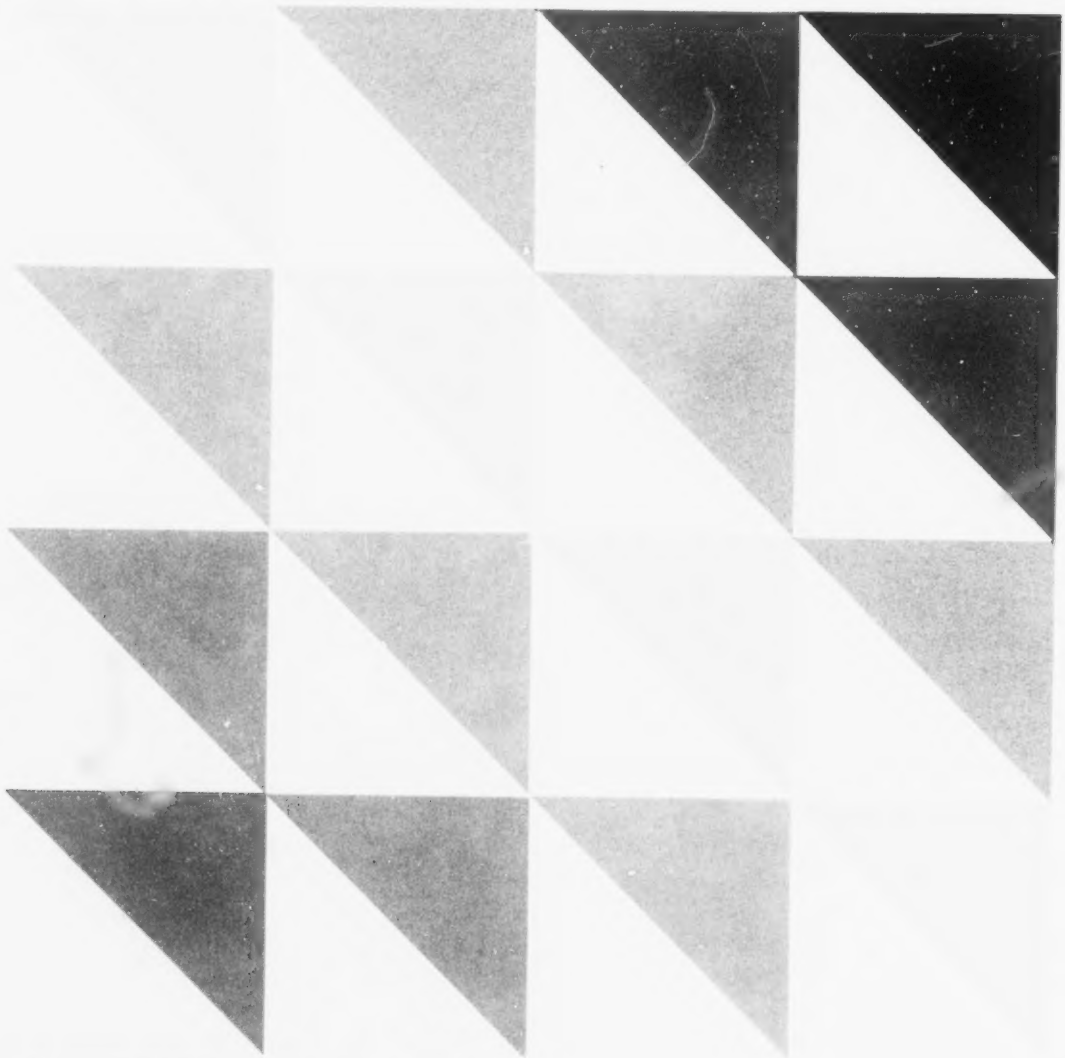
TABLE 6 Prescription trends—1971-1980

AVERAGES PER PHARMACY

Year	Prescription Sales	Percentage of Prescription Sales to Total Sales	Number of Prescriptions	Percent Renewals	Prescription Charge	Prescription Inventory	Prescription Sales per Dollar of Prescription Inventory	Non-prescription Sales per Dollar of Inventory	Non-prescription Inventory as Percent of Sales	Prescription Inventory as Percent of Sales
1971	$149,733	16.0%	38,973	51.5%	$3.84	$17,801	$ 8.41	$6.74	14.8%	11.9%
1972	160,702	16.4%	41,344	49.1%	3.89	18,599	8.64	6.78	14.7%	11.6%
1973	170,629	16.1%	41,737	49.2%	4.09	18,871	9.04	6.55	15.3%	11.1%
1974	195,675	16.5%	44,783	48.6%	4.37	20,675	9.46	6.41	15.6%	10.6%
1975	207,382	17.7%	43,457	48.3%	4.77	21,737	9.54	6.77	14.8%	10.5%
1976	224,852	18.2%	43,305	48.6%	5.19	22,387	10.04	6.24	16.0%	10.0%
1977	244,558	18.9%	43,742	47.7%	5.59	24,133	10.13	6.14	16.3%	9.9%
1978	264,523	18.3%	44,144	46.9%	5.99	25,519	10.37	6.40	15.6%	9.6%
1979	287,744	17.9%	43,877	46.1%	6.56	27,491	10.47	6.61	15.1%	9.6%
1980	315,341	18.7%	43,578	46.9%	7.24	29,711	10.61	6.45	15.5%	9.4%

H E A R T

The heart of the 1981 NACDS-LILLY DIGEST comprises 26 categories of chain pharmacy operating data arranged first by sales and then by daily prescription activity (Tables 7 through 9). These groups of operating statistics are structured to allow comparison with any pharmacy's figures so that management can make a meaningful evaluation. A standard accounting format is used throughout the DIGEST, but adjustments may be necessary to permit proper comparisons with other accounting systems.



THE HEART OF THE NACDS-LILLY DIGEST—
1980 operations according to sales and prescription activity

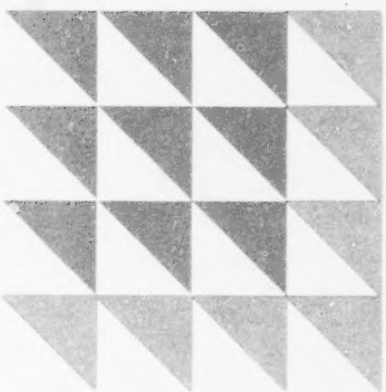


Table 7 Sales under $1,000,000

AVERAGES PER PHARMACY	TOTAL SALES Under $500,000 (47 Pharmacies)		Under 50 Prescriptions Daily (30 Pharmacies)		TOTAL SALES $500,000 to $750,000 — 50 to 75 Prescriptions Daily (29 Pharmacies)	
Sales						
Prescription	$159,754	44.5%	$ 88,172	14.4%	$164,877	26.6%
Other	199,197	55.5%	525,001	85.6%	455,225	73.4%
Total	$358,951	100.0%	$613,173	100.0%	$620,102	100.0%
Cost of goods sold	234,447	65.3%	426,355	69.5%	423,679	68.3%
Gross margin	$124,504	34.7%	$186,818	30.5%	$196,423	31.7%
Expenses						
Manager's salary	$ 23,235	6.5%	$ 20,639	3.4%	$ 24,753	4.0%
Employees' wages	41,131	11.5%	80,395	13.1%	70,275	11.3%
Rent	18,015	5.0%	25,732	4.2%	21,727	3.5%
Utilities (including telephone)	4,475	1.2%	9,943	1.6%	9,040	1.4%
Insurance, licenses, and taxes (except on profit)	7,998	2.2%	19,141	3.1%	13,544	2.2%
Repairs	774	0.2%	3,079	0.5%	2,394	0.4%
Advertising	5,047	1.4%	10,954	1.8%	9,705	1.6%
Depreciation (except on buildings)	2,609	0.7%	7,739	1.3%	5,212	0.8%
Supplies	1,708	0.5%	5,412	0.9%	3,484	0.6%
Headquarters fee	11,934	3.3%	18,989	3.1%	23,951	3.9%
All other direct store expenses	8,845	2.5%	8,605	1.4%	6,972	1.1%
		12.0%		13.7%		12.0%
Total expenses	$125,771	35.0%	$210,628	34.4%	$191,057	30.8%
Net profit (before taxes)	($ 1,267	0.4%)	($ 23,810	3.9%)	$ 5,366	0.9%
Value of inventory at cost and as a percent of sales						
Prescription	$ 23,450	14.7%	$ 17,533	19.9%	$ 22,591	13.7%
Other	68,310	34.3%	133,509	25.4%	103,077	22.6%
Total	$ 91,760	25.6%	$151,042	24.6%	$125,668	20.3%
Annual rate of turnover of inventory	2.6 times		2.9 times		3.5 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.	
Prescription	405	$389.69	318	$280.23	342	$479.46
Other	2,779	76.76	6,605	79.55	5,515	83.12
Total	3,184	116.60	6,923	88.77	5,857	106.30
Sales per dollar invested in inventory						
Prescription		$6.81		$5.03		$7.30
Other		2.92		3.93		4.42
Net profit per dollar invested in inventory		($0.010)		($0.160)		$0.040
Number of prescriptions dispensed						
New	9,819	48.3%	6,798	55.7%	11,664	52.2%
Renewed	10,496	51.7%	5,405	44.3%	10,671	47.8%
Total	20,315	100.0%	12,203	100.0%	22,335	100.0%
Prescription charge		$7.86		$7.23		$7.38
Number of hours per week						
Pharmacy was open		66 hours		79 hours		78 hours
Worked by proprietor		48 hours		46 hours		47 hours
Worked by employed pharmacist(s)		34 hours		66 hours		49 hours

*Based on averages of pharmacies that reported all data

	TOTAL SALES $750,000 to $1,000,000		
Over 75 Prescriptions Daily (28 Pharmacies)	Under 75 Prescriptions Daily (59 Pharmacies)	75 to 100 Prescriptions Daily (61 Pharmacies)	Over 100 Prescriptions Daily (51 Pharmacies)
$302,447– 45.4%	$150,849– 17.7%	$233,688– 26.7%	$315,967– 35.2%
364,366– 54.6%	700,054– 82.3%	641,126– 73.3%	581,492– 64.8%
$666,813–100.0%	$850,903–100.0%	$874,814–100.0%	$897,459–100.0%
446,618– 67.0%	591,026– 69.5%	599,352– 68.5%	604,700– 67.4%
$220,195– 33.0%	$259,877– 30.5%	$275,462– 31.5%	$292,759– 32.6%
$ 26,318– 3.9%	$ 22,247– 2.6%	$ 24,814– 2.8%	$ 24,573– 2.7%
67,708– 10.2%	101,172– 11.9%	92,360– 10.6%	94,252– 10.5%
18,210– 2.7%	25,647– 3.0%	22,962– 2.6%	26,589– 3.0%
7,963– 1.2%	12,082– 1.4%	10,920– 1.2%	10,521– 1.2%
12,341– 1.8%	20,174– 2.4%	16,573– 1.9%	15,479– 1.7%
2,155– 0.3%	2,784– 0.3%	2,889– 0.3%	2,547– 0.3%
9,807– 1.5%	15,259– 1.8%	13,596– 1.6%	15,494– 1.7%
3,785– 0.6%	5,403– 0.6%	5,492– 0.6%	3,888– 0.4%
4,350– 0.7%	5,638– 0.7%	5,358– 0.6%	5,824– 0.6%
25,628– 3.8%	28,646– 3.4%	32,987– 3.8%	36,355– 4.1%
10,921– 1.6%	12,206– 1.4%	11,210– 1.3%	12,299– 1.4%
11.5%	12.0%	11.3%	11.4%
$189,186– 28.3%	$251,258– 29.5%	$239,161– 27.3%	$247,821– 27.6%
$ 31,009– 4.7%	$ 8,619– 1.0%	$ 36,301– 4.2%	$ 44,938– 5.0%
$ 33,969– 11.2%	$ 21,106– 14.0%	$ 25,497– 10.9%	$ 30,258– 9.6%
100,814– 27.7%	137,387– 19.6%	127,040– 19.8%	133,442– 22.9%
$134,783– 20.2%	$158,493– 18.6%	$152,537– 17.4%	$163,700– 18.2%
3.5 times	3.8 times	4.1 times	3.8 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
474 $638.03	334 $454.01	379 $616.14	450 $701.63
4,358 83.62	6,691 104.32	6,060 105.81	6,328 91.66
4,832 138.01	7,025 120.97	6,439 135.87	6,778 132.20
$8.90	$7.15	$9.17	$10.44
3.61	5.10	5.05	4.36
$0.230	$0.050	$0.240	$0.270
19,042– 47.7%	11,126– 54.1%	15,893– 50.8%	22,156– 51.0%
20,865– 52.3%	9,438– 45.9%	15,406– 49.2%	21,252– 49.0%
39,907–100.0%	20,564–100.0%	31,299–100.0%	43,408–100.0%
$7.58	$7.34	$7.47	$7.28
79 hours	82 hours	81 hours	82 hours
48 hours	46 hours	47 hours	47 hours
55 hours	67 hours	64 hours	73 hours

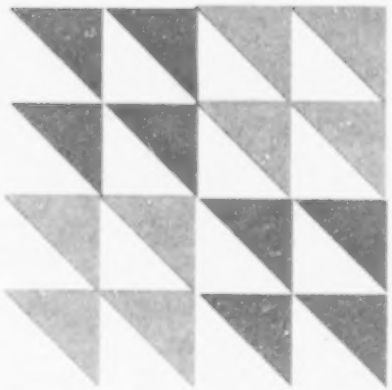


Table 8 Sales $1,000,000 to $2,000,000

AVERAGES PER PHARMACY	Under 50 Prescriptions Daily (27 Pharmacies)	50 to 75 Prescriptions Daily (63 Pharmacies)	75 to 100 Prescriptions Daily (67 Pharmacies)	100 to 150 Prescriptions Daily (101 Pharmacies)
			TOTAL SALES $1,000,000 to $1,500,000	
Sales				
Prescription	$ 94,205— 7.8%	$ 169,953— 13.7%	$ 230,294— 18.5%	$ 326,259— 27.0%
Other	1,110,994— 92.2%	1,068,636— 86.3%	1,015,567— 81.5%	882,901— 73.0%
Total	$1,205,199—100.0%	$1,238,589—100.0%	$1,245,861—100.0%	$1,209,160—100.0%
Cost of goods sold	857,551— 71.2%	880,504— 71.1%	876,994— 70.4%	825,334— 68.3%
Gross margin	$ 347,648— 28.8%	$ 358,085— 28.9%	$ 368,867— 29.6%	$ 383,826— 31.7%
Expenses				
Manager's salary	$ 24,556— 2.0%	$ 25,378— 2.0%	$ 23,042— 1.8%	$ 25,231— 2.1%
Employees' wages	132,063— 11.0%	129,900— 10.5%	130,192— 10.4%	121,687— 10.1%
Rent	47,228— 3.9%	39,291— 3.2%	33,209— 2.7%	30,459— 2.5%
Utilities (including telephone)	13,954— 1.1%	15,881— 1.3%	13,941— 1.1%	12,884— 1.1%
Insurance, licenses, and taxes (except on profit)	32,574— 2.7%	25,673— 2.1%	20,969— 1.7%	17,314— 1.4%
Repairs	4,985— 0.4%	4,475— 0.4%	4,413— 0.4%	3,759— 0.3%
Advertising	22,762— 1.9%	23,566— 1.9%	24,113— 1.9%	22,677— 1.9%
Depreciation (except on buildings)	12,715— 1.0%	10,528— 0.8%	6,576— 0.5%	5,419— 0.5%
Supplies	6,158— 0.5%	6,095— 0.5%	5,945— 0.5%	6,390— 0.5%
Headquarters fee	42,982— 3.6%	38,894— 3.1%	44,191— 3.6%	49,945— 4.1%
All other direct store expenses	22,410— 1.9%	27,103— 2.2%	22,307— 1.8%	17,223— 1.4%
	13.1%	12.3%	11.5%	11.2%
Total expenses	$ 362,387— 30.0%	$ 346,784— 28.0%	$ 328,898— 26.4%	$ 312,988— 25.9%
Net profit (before taxes)	($ 14,739— 1.2%)	$ 11,301— 0.9%	$ 39,969— 3.2%	$ 70,838— 5.8%
Value of inventory at cost and as a percent of sales				
Prescription	$ 19,218— 20.4%	$ 22,999— 13.5%	$ 25,802— 11.2%	$ 30,923— 9.5%
Other	168,049— 15.1%	167,091— 15.6%	168,520— 16.6%	162,295— 18.4%
Total	$ 187,267— 15.5%	$ 190,090— 15.3%	$ 194,322— 15.6%	$ 193,218— 16.0%
Annual rate of turnover of inventory	4.6 times	4.6 times	4.5 times	4.5 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	405 $232.08	362 $475.69	365 $630.61	376 $870.82
Other	7,368 150.28	7,976 133.08	7,175 141.54	7,057 124.28
Total	7,773 154.54	8,338 147.98	7,540 165.24	7,433 162.08
Sales per dollar invested in inventory				
Prescription	$4.90	$7.39	$8.93	$10.55
Other	6.61	6.40	6.03	5.44
Net profit per dollar invested in inventory	($0.080)	$0.060	$0.210	$0.370
Number of prescriptions dispensed				
New	7,048— 56.7%	11,946— 52.7%	17,012— 53.6%	24,338— 54.0%
Renewed	5,383— 43.3%	10,707— 47.3%	14,725— 46.4%	20,700— 46.0%
Total	12,431—100.0%	22,653—100.0%	31,737—100.0%	45,038—100.0%
Prescription charge	$7.58	$7.50	$7.26	$7.24
Number of hours per week				
Pharmacy was open	79 hours	81 hours	83 hours	82 hours
Worked by proprietor	45 hours	46 hours	46 hours	45 hours
Worked by employed pharmacist(s)	58 hours	73 hours	81 hours	74 hours

*Based on averages of pharmacies that reported all data

TOTAL SALES
$1,500,000 to $2,000,000

Over 150 Prescriptions Daily (66 Pharmacies)	Under 75 Prescriptions Daily (35 Pharmacies)	75 to 100 Prescriptions Daily (44 Pharmacies)	100 to 150 Prescriptions Daily (82 Pharmacies)	150 to 200 Prescriptions Daily (48 Pharmacies)	Over 200 Prescriptions Daily (32 Pharmacies)
$ 469,821— 36.1%	$ 144,465— 8.4%	$ 231,703— 13.4%	$ 315,636— 18.1%	$ 430,164— 24.8%	$ 575,688— 33.4%
830,433— 63.9%	1,580,661— 91.6%	1,492,475— 86.6%	1,424,594— 81.9%	1,306,211— 75.2%	1,149,145— 66.6%
$1,300,254—100.0%	$1,725,126—100.0%	$1,724,178—100.0%	$1,740,230—100.0%	$1,736,375—100.0%	$1,724,833—100.0%
878,870— 67.6%	1,244,713— 72.2%	1,238,203— 71.8%	1,245,161— 71.6%	1,201,416— 69.2%	1,165,138— 67.6%
$ 421,384— 32.4%	$ 480,413— 27.8%	$ 485,975— 28.2%	$ 495,069— 28.4%	$ 534,959— 30.8%	$ 559,695— 32.4%
$ 26,934— 2.1%	$ 27,494— 1.6%	$ 29,449— 1.7%	$ 26,639— 1.5%	$ 28,082— 1.6%	$ 27,347— 1.6%
115,125— 8.9%	171,184— 9.9%	171,935— 10.0%	173,238— 10.0%	158,076— 9.1%	137,797— 8.0%
36,353— 2.8%	66,220— 3.8%	50,974— 3.0%	44,501— 2.6%	45,989— 2.6%	48,821— 2.8%
12,170— 0.9%	21,321— 1.2%	19,216— 1.1%	18,752— 1.0%	18,019— 1.1%	13,754— 0.8%
16,113— 1.2%	33,766— 2.0%	29,872— 1.7%	26,645— 1.5%	22,637— 1.3%	19,973— 1.2%
3,787— 0.3%	5,955— 0.3%	5,327— 0.3%	5,233— 0.3%	5,398— 0.3%	4,230— 0.2%
27,929— 2.1%	32,288— 1.9%	27,930— 1.6%	29,206— 1.7%	34,911— 2.0%	39,122— 2.3%
7,764— 0.6%	18,367— 1.1%	11,377— 0.7%	10,501— 0.6%	9,460— 0.6%	8,016— 0.5%
7,805— 0.6%	10,149— 0.6%	8,334— 0.5%	8,331— 0.4%	8,782— 0.5%	9,167— 0.5%
65,957— 5.1%	48,719— 2.8%	47,490— 2.8%	57,432— 3.3%	80,124— 4.6%	92,350— 5.3%
19,845— 1.5%	33,432— 1.9%	31,883— 1.8%	27,541— 1.6%	32,889— 1.9%	21,781— 1.3%
12.3%	11.8%	10.5%	10.4%	12.3%	12.1%
$ 339,782— 26.1%	$ 468,895— 27.1%	$ 433,787— 25.2%	$ 428,019— 24.5%	$ 444,367— 25.6%	$ 422,358— 24.5%
$ 81,602— 6.3%	$ 11,518— 0.7%	$ 52,188— 3.0%	$ 67,050— 3.9%	$ 90,592— 5.2%	$ 137,337— 7.9%
$ 36,486— 7.8%	$ 22,947— 15.9%	$ 25,608— 11.1%	$ 30,427— 9.6%	$ 32,794— 7.6%	$ 40,124— 7.0%
191,401— 23.0%	236,080— 14.9%	222,640— 14.9%	215,583— 15.1%	232,943— 17.8%	255,813— 22.3%
$ 227,887— 17.5%	$ 259,027— 15.0%	$ 248,248— 14.4%	$ 246,010— 14.1%	$ 265,737— 15.3%	$ 295,937— 17.2%
4.0 times	4.8 times	5.0 times	5.2 times	4.6 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
412 $1,204.90	443 $329.21	460 $513.56	442 $718.26	790 $559.20	393 $1,042.05
5,923 131.15	10,728 147.70	9,091 162.60	8,115 175.12	8,724 148.75	6,694 172.33
6,335 200.92	11,171 154.89	9,551 179.50	8,557 203.18	9,514 182.81	7,087 248.21
$12.88	$5.30	$9.05	$10.37	$13.12	$14.35
4.34	6.70	6.70	6.61	5.61	4.49
$0.360	$0.040	$0.210	$0.270	$0.340	$0.460
34,732— 51.4%	10,780— 54.3%	16,660— 52.7%	23,386— 53.4%	32,883— 53.5%	42,394— 50.8%
32,905— 48.6%	9,061— 45.7%	14,976— 47.3%	20,406— 46.6%	28,569— 46.5%	41,030— 49.2%
67,637—100.0%	19,841—100.0%	31,636—100.0%	43,792—100.0%	61,452—100.0%	83,424—100.0%
$6.95	$7.28	$7.32	$7.21	$7.00	$6.90
82 hours	80 hours	84 hours	86 hours	86 hours	83 hours
45 hours	47 hours	46 hours	46 hours	45 hours	44 hours
60 hours	81 hours	87 hours	90 hours	81 hours	56 hours

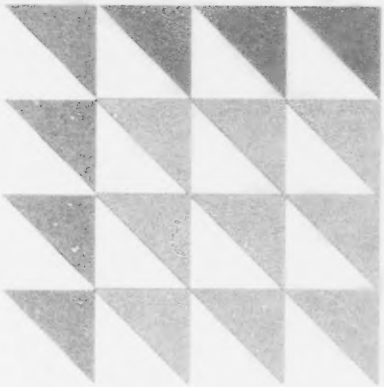


Table 9 Sales over $2,000,000

TOTAL SALES

$2,000,000 to $2,500,000

AVERAGES PER PHARMACY	Under 100 Prescriptions Daily (28 Pharmacies)	100 to 150 Prescriptions Daily (54 Pharmacies)	150 to 200 Prescriptions Daily (33 Pharmacies)	Over 200 Precriptions Daily (31 Pharmacies)
Sales				
Prescription	$ 208,015— 9.4%	$ 347,193— 15.6%	$ 436,383— 19.4%	$ 602,658— 27.0%
Other	2,002,654— 90.6%	1,875,348— 84.4%	1,812,304— 80.6%	1,630,795— 73.0%
Total	$2,210,669—100.0%	$2,222,541—100.0%	$2,248,687—100.0%	$2,233,453—100.0%
Cost of goods sold	1,624,253— 73.5%	1,590,603— 71.6%	1,606,196— 71.4%	1,544,957— 69.2%
Gross margin	$ 586,416— 26.5%	$ 631,938— 28.4%	$ 642,491— 28.6%	$ 688,496— 30.8%
Expenses				
Manager's salary	$ 31,679— 1.4%	$ 27,656— 1.2%	$ 29,134— 1.3%	$ 27,481— 1.2%
Employees' wages	198,518— 9.0%	219,263— 9.9%	208,676— 9.3%	172,961— 7.7%
Rent	68,399— 3.1%	53,352— 2.4%	54,679— 2.4%	57,535— 2.6%
Utilities (including telephone)	24,770— 1.1%	24,024— 1.1%	24,257— 1.1%	17,551— 0.8%
Insurance, licenses, and taxes (except on profit)	39,479— 1.8%	32,155— 1.4%	25,135— 1.1%	18,899— 0.8%
Repairs	8,439— 0.4%	6,676— 0.3%	7,094— 0.3%	7,546— 0.3%
Advertising	42,315— 1.9%	27,893— 1.3%	33,827— 1.5%	46,767— 2.1%
Depreciation (except on buildings)	17,756— 0.8%	13,098— 0.6%	11,038— 0.5%	12,990— 0.6%
Supplies	10,263— 0.5%	12,257— 0.5%	12,131— 0.5%	10,425— 0.5%
Headquarters fee	62,944— 2.8%	50,595— 2.3%	80,993— 3.6%	104,826— 4.7%
All other direct store expenses	31,312— 1.4%	42,291— 1.9%	44,320— 2.0%	36,841— 1.6%
	10.7%	9.4%	10.6%	11.4%
Total expenses	$ 535,874— 24.2%	$ 509,260— 22.9%	$ 531,284— 23.6%	$ 513,822— 22.9%
Net profit (before taxes)	$ 50,542— 2.3%	$ 122,678— 5.5%	$ 111,207— 5.0%	$ 174,674— 7.9%
Value of inventory at cost and as a percent of sales				
Prescription	$ 23,259— 11.2%	$ 32,294— 9.3%	$ 32,946— 7.5%	$ 42,746— 7.1%
Other	260,510— 13.0%	246,713— 13.2%	267,731— 14.8%	279,035— 17.1%
Total	$ 283,769— 12.8%	$ 279,007— 12.6%	$ 300,677— 13.4%	$ 321,781— 14.4%
Annual rate of turnover of inventory	5.8 times	5.8 times	5.5 times	5.0 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	933 $222.56	446 $792.17	444 $975.85	412 $1,388.21
Other	10,954 182.02	9,583 193.10	10,008 179.64	7,945 214.36
Total	11,887 185.20	10,029 219.75	10,452 213.47	8,357 272.23
Sales per dollar invested in inventory				
Prescription	$8.94	$10.75	$13.25	$14.10
Other	7.69	7.60	6.77	5.84
Net profit per dollar invested in inventory	$0.180	$0.440	$0.370	$0.540
Number of prescriptions dispensed				
New	14,156— 52.4%	26,302— 55.8%	33,177— 54.2%	47,309— 52.9%
Renewed	12,870— 47.6%	20,819— 44.2%	28,045— 45.8%	42,038— 47.1%
Total	27,026—100.0%	47,121—100.0%	61,222—100.0%	89,347—100.0%
Prescription charge	$7.70	$7.37	$7.13	$6.75
Number of hours per week				
Pharmacy was open	80 hours	90 hours	91 hours	86 hours
Worked by proprietor	46 hours	45 hours	45 hours	45 hours
Worked by employed pharmacist(s)	83 hours	102 hours	100 hours	83 hours

*Based on averages of pharmacies that reported all data

TOTAL SALES $2,500,000 to $3,000,000		TOTAL SALES Over $3,000,000		
Under 150 Prescriptions Daily (52 Pharmacies)	Over 150 Prescriptions Daily (57 Pharmacies)	Under 150 Prescriptions Daily (41 Pharmacies)	150 to 200 Prescriptions Daily (33 Pharmacies)	Over 200 Prescriptions Daily (32 Pharmacies)
$ 312,856— 11.5%	$ 494,302— 17.9%	$ 325,129— 8.4%	$ 449,023— 11.7%	$ 700,650— 18.1%
2,405,228— 88.5%	2,266,060— 82.1%	3,566,338— 91.6%	3,401,866— 88.3%	3,170,704— 81.9%
$2,718,084—100.0%	$2,760,362—100.0%	$3,891,467—100.0%	$3,850,889—100.0%	$3,871,354—100.0%
1,994,319— 73.4%	1,992,083— 72.2%	2,872,657— 73.8%	2,847,280— 73.9%	2,811,000— 72.6%
$ 723,765— 26.6%	$ 768,279— 27.8%	$1,018,810— 26.2%	$1,003,609— 26.1%	$1,060,354— 27.4%
$ 29,953— 1.1%	$ 31,415— 1.1%	$ 34,686— 0.9%	$ 33,680— 0.9%	$ 35,758— 0.9%
242,641— 8.9%	266,594— 9.7%	329,163— 8.5%	328,686— 8.5%	384,855— 9.9%
65,822— 2.4%	61,049— 2.2%	91,202— 2.3%	92,590— 2.4%	88,065— 2.3%
28,062— 1.0%	28,607— 1.0%	32,053— 0.8%	34,354— 0.9%	32,343— 0.8%
38,769— 1.4%	45,719— 1.7%	53,229— 1.4%	57,123— 1.5%	61,608— 1.6%
9,303— 0.3%	7,409— 0.3%	17,050— 0.4%	15,890— 0.4%	10,314— 0.3%
34,105— 1.3%	30,717— 1.1%	67,428— 1.7%	56,573— 1.5%	43,307— 1.1%
23,146— 0.9%	20,689— 0.7%	33,190— 0.8%	25,352— 0.7%	19,243— 0.5%
14,597— 0.5%	17,899— 0.6%	15,453— 0.4%	16,472— 0.4%	21,523— 0.6%
62,541— 2.3%	65,237— 2.4%	103,629— 2.7%	85,790— 2.2%	80,652— 2.1%
42,374— 1.6%	50,814— 1.8%	60,433— 1.6%	43,130— 1.1%	57,378— 1.5%
9.3%	9.6%	9.8%	8.7%	8.5%
$ 591,313— 21.7%	$ 626,149— 22.6%	$ 837,516— 21.5%	$ 789,640— 20.5%	$ 835,046— 21.6%
$ 132,452— 4.9%	$ 142,130— 5.2%	$ 181,294— 4.7%	$ 213,969— 5.6%	$ 225,308— 5.8%
$ 30,221— 9.7%	$ 37,306— 7.5%	$ 29,240— 9.0%	$ 35,511— 7.9%	$ 50,279— 7.2%
311,427— 12.9%	288,635— 12.7%	481,683— 13.5%	381,767— 11.2%	380,427— 12.0%
$ 341,648— 12.6%	$ 325,941— 11.8%	$ 510,923— 13.1%	$ 417,278— 10.8%	$ 430,706— 11.1%
6.0 times	6.2 times	5.6 times	6.8 times	6.7 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
518 $604.47	552 $905.73	543 $598.77	506 $886.06	584 $1,159.67
12,970 186.25	11,490 196.57	18,089 198.18	16,141 214.71	13,895 233.98
13,488 202.31	12,042 229.10	18,632 209.85	16,647 235.11	14,479 271.31
$10.35	$13.25	$11.12	$12.64	$13.94
7.72	7.85	7.40	8.91	8.33
$0.390	$0.440	$0.350	$0.510	$0.520
23,147— 54.7%	37,088— 54.7%	22,079— 53.6%	33,953— 54.3%	51,628— 53.1%
19,148— 45.3%	30,772— 45.3%	19,138— 46.4%	28,592— 45.7%	45,601— 46.9%
42,295—100.0%	67,860—100.0%	41,217—100.0%	62,545—100.0%	97,229—100.0%
$7.40	$7.28	$7.89	$7.18	$7.21
87 hours	90 hours	85 hours	87 hours	85 hours
46 hours	46 hours	48 hours	46 hours	46 hours
92 hours	103 hours	95 hours	98 hours	117 hours

Review by the Number of Units

TABLE 10

Operations according to number of units in the chain

AVERAGES PER PHARMACY	Under 11 Units (88 Pharmacies)	11 to 25 Units (126 Pharmacies)	26 to 50 Units (169 Pharmacies)	51 to 100 Units (243 Pharmacies)
Sales				
Prescription	$ 348,318— 20.4%	$ 265,413— 20.7%	$ 296,482— 18.4%	$ 322,125— 17.8%
Other	1,359,040— 79.6%	1,017,727— 79.3%	1,313,803— 81.6%	1,483,097— 82.2%
Total	$1,707,358—100.0%	$1,283,140—100.0%	$1,610,285—100.0%	$1,805,222—100.0%
Cost of goods sold	1,218,144— 71.3%	912,308— 71.1%	1,130,376— 70.2%	1,329,381— 73.6%
Gross margin	$ 489,214— 28.7%	$ 370,832— 28.9%	$ 479,909— 29.8%	$ 475,841— 26.4%
Expenses				
Manager's salary	$ 27,240— 1.6%	$ 23,661— 1.8%	$ 23,978— 1.5%	$ 25,496— 1.4%
Employees' wages	195,386— 11.4%	120,420— 9.4%	161,449— 10.0%	174,765— 9.7%
Rent	39,000— 2.3%	35,520— 2.8%	42,328— 2.6%	44,554— 2.5%
Utilities (including telephone)	16,571— 1.0%	13,675— 1.1%	18,405— 1.1%	21,407— 1.2%
Insurance, licenses, and taxes (except on profit)	28,464— 1.7%	17,065— 1.3%	23,046— 1.4%	30,698— 1.7%
Repairs	6,794— 0.4%	5,664— 0.4%	4,765— 0.3%	4,099— 0.2%
Advertising	30,452— 1.8%	16,723— 1.3%	26,818— 1.7%	14,487— 0.8%
Depreciation (except on bulidings)	11,339— 0.7%	12,350— 1.0%	11,763— 0.7%	13,818— 0.8%
Supplies	7,286— 0.4%	5,968— 0.5%	10,535— 0.7%	13,970— 0.8%
Headquarters fee	53,835— 3.1%	32,528— 2.5%	79,178— 4.9%	33,440— 1.8%
All other direct store expenses	32,540— 1.9%	34,379— 2.7%	44,478— 2.8%	23,534— 1.3%
	11.0%	10.8%	13.6%	8.6%
Total expenses	$ 448,907— 26.3%	$ 317,953— 24.8%	$ 446,743— 27.7%	$ 400,268— 22.2%
Net profit (before taxes)	$ 40,307— 2.4%	$ 52,879— 4.1%	$ 33,166— 2.1%	$ 75,573— 4.2%
Warehouse fee*	$ 20,921— 7.1%	$ 9,243— 8.0%	$ 17,283— 1.8%	$ 55,910— 3.2%
As a percent of cost of goods sold	10.1%	10.8%	2.5%	4.2%
Value of inventory at cost and as a percent of sales				
Prescription	$ 37,588— 10.8%	$ 25,218— 9.5%	$ 28,586— 9.6%	$ 30,462— 9.5%
Other	239,424— 17.6%	162,139— 15.9%	222,445— 16.9%	223,684— 15.1%
Total	$ 277,012— 16.2%	$ 187,357— 14.6%	$ 251,031— 15.6%	$ 254,146— 14.1%
Annual rate of turnover of inventory	4.5 times	4.8 times	4.6 times	5.4 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	733 $450.62	393 $675.38	454 $658.98	519 $591.43
Other	8,648 153.87	6,971 146.00	9,161 144.79	9,802 120.10
Total	9,381 177.04	7,364 174.25	9,615 169.08	10,321 143.79
Sales per dollar invested in inventory				
Prescription	$9.27	$10.52	$10.37	$10.57
Other	5.68	6.28	5.91	6.63
Net profit per dollar invested in inventory	$0.146	$0.282	$0.132	$0.297
Number of prescriptions dispensed				
New	23,111— 51.1%	18,578— 51.6%	19,657— 49.1%	25,341— 56.0%
Renewed	22,136— 48.9%	17,433— 48.4%	20,352— 50.9%	19,941— 44.0%
Total	45,247—100.0%	36,011—100.0%	40,009—100.0%	45,282—100.0%
Prescription charge	$7.70	$7.37	$7.41	$7.11
Number of hours per week				
Pharmacy was open	79 hours	81 hours	84 hours	91 hours
Worked by manager	47 hours	46 hours	47 hours	46 hours
Worked by employed pharmacist(s)	75 hours	64 hours	89 hours	98 hours

*Based on averages of pharmacies that reported all data

The number of stores in a pharmacy chain may affect the operating figures of an individual unit. Chart 8 shows graphically the relationship of selected operating statistics to the number of units in a chain. Almost half of the pharmacies reporting belong to chain organizations that have more than 100 units (Table 10). The weight of this cell causes the resulting figures to approximate the overall averages seen in Table 1; this similarity also should be considered when these averages are evaluated. The greatest profitability (5.4 percent of sales) was reported by pharmacies in chains of more than 100 units. This group had a high gross margin (29.7 percent) and total expenses low enough to permit the best profit performance.

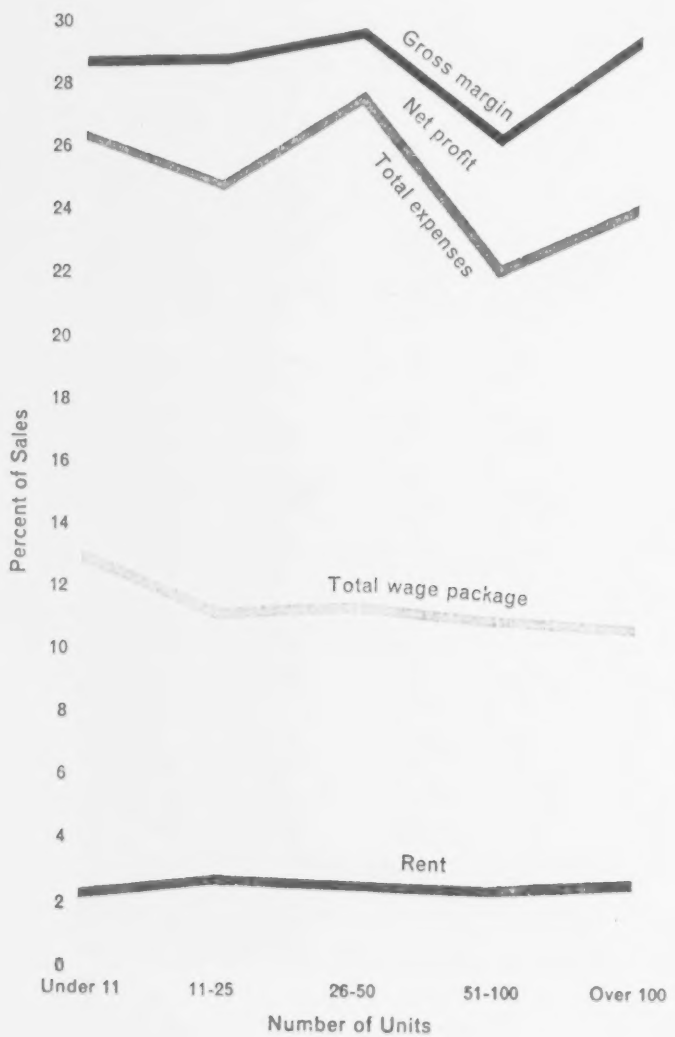
When compared with the previous year's data, these units reported a dramatic improvement in gross margin as a percent of sales and a moderate rise in total expenses, which brought about the largest dollar increase and a significant advance percentagewise in net profit.

Table 10 presents the operating data of pharmacy units belonging to chain organizations of various sizes. A review of this information indicates that the size of the parent organization in and of itself does not insure the highest gross margin or the lowest expenses, wages, or rent. Rather, the efficiency with which management guides the operation is the deciding factor in profitability.

Over 100 Units (605 Pharmacies)	
$ 324,471—	18.6%
1,417,349—	81.4%
$1,741,820—	100.0%
1,224,084—	70.3%
$ 517,736—	29.7%
$ 29,154—	1.7%
160,410—	9.2%
48,753—	2.8%
16,840—	1.0%
27,689—	1.6%
6,201—	0.3%
34,926—	2.0%
9,848—	0.6%
7,304—	0.4%
59,536—	3.4%
22,189—	1.3%
10.6%	
$ 422,850—	24.3%
$ 94,886—	5.4%
$ 25,247—	2.3%
	3.2%
$ 29,672—	9.1%
211,914—	15.0%
$ 241,586—	13.9%
	5.2 times
sq. ft.	
390	$748.22
8,277	179.68
8,667	205.27
	$10.94
	6.69
	$0.393
24,216—	53.4%
21,143—	46.6%
45,359—	100.0%
	$7.15
	82 hours
	46 hours
	73 hours

CHART 8

Selected operating statistics according to number of units in the chain



Sources of Supply

In this section of the NACDS-LILLY DIGEST, operating data are summarized according to the three major sources of supply utilized by chain drugstores. The decision whether to support a central warehouse, purchase through a wholesaler, purchase directly from a supplier, or use a combination of these methods is still a matter of debate among members of chain drugstore organizations. Although advantages and disadvantages can be pointed out for all alternatives, it should be remembered that the establishment of a warehouse distribution system is not always adopted solely because of economic considerations.

Table 11 is divided into two parts. The operating statistics which concern the chains that warehouse are located in color in the left-hand column of the table, and those for nonwarehouse chains are shown in the remaining three columns. Of the stores submitting data, 106 pharmacies (8.6 percent) did not make any purchases from a central warehouse. There were 827 participants, or 67.2 percent, who ordered 50 to 100 percent of their supplies from a warehouse, virtually the same percentage reported last year. The units that made no central warehouse purchases showed a slightly lower cost of goods sold, and, therefore, a slightly higher gross margin, percentagewise, than pharmacies that bought from a central warehouse. It should be remembered that warehouse accounts are charged a warehouse fee that is generally included in the cost of goods sold. Fur-

TABLE 11 Chain operations according to sources of supply

AVERAGES PER PHARMACY	50% to 100% Ordered from Warehouse (827 Pharmacies)	0% Ordered from Warehouse (106 Pharmacies)
Prescription sales	$ 325,690— 20.0%	$ 275,509— 19.0%
Total sales (including prescription sales)	$1,631,697—100.0%	$1,451,640—100.0%
Cost of goods sold	1,155,886— 70.8%	1,026,333— 70.7%
Gross margin	$ 475,811— 29.2%	$ 425,307— 29.3%
Total wage package	183,409— 11.2%	181,067— 12.5%
Headquarters fee	58,217— 3.6%	22,735— 1.6%
Total expenses (including total wage package)	405,770— 24.9%	373,734— 25.7%
Net profit	$ 70,041— 4.3%	$ 51,573— 3.6%
Total number of prescriptions dispensed	45,736	36,789
Value of inventory at cost and as a percent of sales		
Prescription	$ 30,116— 9.2%	$ 30,186— 11.0%
Other	208,109— 15.9%	190,137— 16.2%
Total	$ 238,225— 14.6%	$ 220,323— 15.2%
Annual rate of turnover of inventory	4.8 times	4.7 times
Sales per dollar invested in inventory		
Prescription	$10.81	$9.13
Other	6.27	6.19
Total floor area*	8,942 sq. ft.	7,116 sq. ft.
Sales per square foot	$182.48	$198.77
Number of hours pharmacy was open per week	87 hours	80 hours

*Based on averages of pharmacies that reported all data

ther review of the operating statistics for these two types of outlets shows that the lower figure for total expenses posted by warehouse users was more than enough to offset the lower gross margin and, in turn, produced a higher net profit. An interesting sidenote is that the total wage package was higher in the nonwarehouse units, even though these stores reported fewer hours open.

Inventory was lower, as a percent of sales, in the outlet that purchased goods from a warehouse; consequently, the turnover rate was also slightly more favorable. The sales productivity of each dollar in inventory in both the prescription department and the nonprescription area was greater for the warehouse user than for pharmacies that were not supplied by a warehouse.

The average warehouse unit recorded a larger floor area than the nonwarehouse operation but was not able to generate as high sales productivity per square foot as the store not serviced by a warehouse.

It should be pointed out that successful chain organizations can be found in both groups, and the decision regarding whether to support a central warehouse must be based on short and long-term requirements and goals for individual chain units.

Operations that do not buy most of their merchandise from a central warehouse will obtain inventory from a wholesaler, directly from a supplier, or from a combination of the two. The two right-hand columns are composed of stores that purchase mainly from either a wholesaler or direct distributors and probably include a few operations that have limited warehouse facilities.

Chain pharmacies that ordered primarily from a wholesaler reported a lower cost of goods sold and, therefore, a higher gross margin, percentagewise, than those which purchased directly from a supplier. Total expenses for wholesaler-oriented outlets, however, were higher than for the units that bought directly from a supplier, with the result that their net profit was lower. Total inventory, as a percent of sales, was higher in stores that obtained merchandise from a wholesaler, and turnover rate was lower when compared with that of their direct-purchasing counterparts. These units also attained greater sales productivity per dollar of inventory investment and sales per square foot than did stores serviced by a wholesaler. Over 900 stores purchased up to 50 percent of their needs from wholesalers. Average sales in this group exceeded $1.6 million, and they generated a net profit of 4.8 percent.

The statistics in Table 11 are a summary of operating data reported by the NACDS-LILLY DIGEST pharmacies. No endorsement of a particular supply system is intended; this decision should be made on the basis of the overall performance and objectives of the corporation.

50% to 75% Purchased from Wholesaler (119 Pharmacies)	50% to 100% Purchased Direct (171 Pharmacies)
$ 299,731— 20.3%	$ 328,165— 14.1%
$1,476,459—100.0%	$2,323,614—100.0%
1,058,453— 71.7%	1,681,390— 72.4%
$ 418,006— 28.3%	$ 642,224— 27.6%
171,031— 11.6%	237,862— 10.2%
34,185— 2.3%	51,584— 2.2%
369,073— 25.0%	506,611— 21.8%
$ 48,933— 3.3%	$ 44,679— 5.8%
40,028	44,679
$ 28,404— 9.5%	$ 29,154— 8.9%
189,652— 16.1%	252,494— 12.6%
$ 218,056— 14.8%	$ 281,648— 12.1%
4.8 times	6.0 times
$10.55	$11.26
6.20	9.20
7,667 sq. ft.	9,941 sq. ft.
$192.45	$233.74
81 hours	80 hours

Rent Review

Chart 9 depicts the distribution of rent percentages for chain drugstores reporting to the 1981 NACDS-Lilly Digest. Almost 76 percent of the chain units had a rental expense of less than 3.5 percent of sales, and about 92 percent of all participants posted an outlay for rent under 4.5 percent of total sales.

Chain management can evaluate rent according to certain characteristics of each unit. Analysis of rental expenses through use of a combination of the sections presented in Table 12 should permit a realistic comparison.

Section A shows the relationship of selected statistics to annual sales volume. As sales advance, the size of the unit in square feet increases. Dollarwise, rent per square foot generally becomes more expensive as floor area grows. Productivity tends to increase when sales volume rises, as indicated by the sales-per-square-foot ratios.

Section B arranges rental expenditures according to the percentage of prescription volume as it relates to total sales. When the prescription percentage moves up, average sales, pharmacy size in square feet, and average rent exhibit a downward trend. Sales per square foot tend to rise in the prescription-dominated pharmacy, whereas rent per square foot, expressed as a percent of sales, appears to remain relatively constant until prescription revenue contributes over 50 percent of total income. At this level, floor space becomes more productive and expensive and, in turn, results in an increase in sales and rent per square foot. This may be attributed to locations in medical buildings, which characteristically charge more for space.

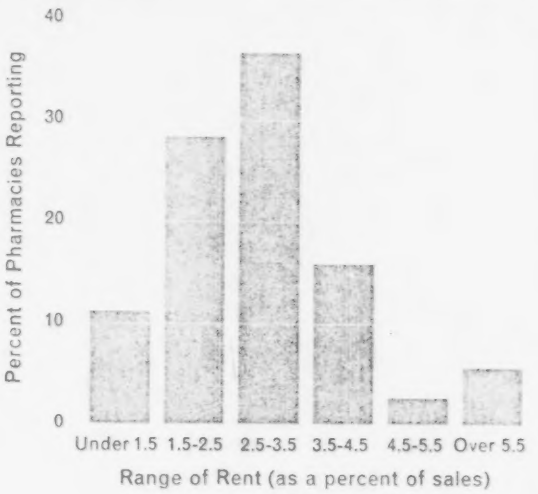
Section C summarizes the effect of prescription activity on rent. Previously, prescription activity and sales volume were shown to have a positive relationship; therefore, it is understandable that the information in this section is similar in pattern to that in Section A.

Section D depicts rental data according to the number of units in the chain. Analysis of rent in this section does not show any consistent pattern, and comparisons should therefore be made on an individual basis. However, it is evident that units belonging to chain organizations of over 100 stores recorded the highest sales and rent per square foot. This suggests that larger chain pharmacies tend to occupy more of the prime locations for which higher rentals are charged.

Section E illustrates regional variations that are observed in average sales, size of pharmacy, and rent. Rent fluctuates as a percent of sales according to geographic location, with the lowest in the Pacific States and the highest in the Mountain States. However, when rental outlay per square foot is reviewed, the West South Central States reported the highest figure. In comparison with last year's statistics, a change occurred when the rent per square foot for stores located in the Pacific States showed a dramatic reduction, probably because the average size of the units in that area increased significantly.

CHART 9

Percent of pharmacies reporting various rent percentage ranges



Section F presents selected statistics according to floor size, and once again larger store area is associated with greater total sales. However, sales and rent per square foot tend to decline as units acquire more space.

Section G expresses rental expense as it relates to store age. Recently opened pharmacies show a lower average sales volume than do established operations. Newer stores also appear to pay higher rent as a percent of sales than do older units, which is to be expected since they have not yet attained their full sales potential. In contrast to data for 1979, the operations under five years of age show a significant reduction in overall size. This decrease indicates a trend toward smaller-sized stores. However, since the tabulation may include chain units that have not reported previously, it would be unwise to form definitive conclusions at this time.

TABLE 12

Rent correlated with various factors

		Average Sales	Size of Pharmacy* (Square Feet)	Sales per Square Foot*	Average Rent	Rent per Square Foot	Rent Percentage
A	**Annual Sales**						
	Under $500,000	$ 358,951	3,184	$116.60	$18,015	$ 5.66	5.0%
	$500,000 to $750,000	632,746	5,858	108.38	21,976	3.75	3.5%
	$750,000 to $1,000,000	873,318	6,736	129.51	24,970	3.71	2.9%
	$1,000,000 to $1,500,000	1,240,698	7,564	162.43	35,343	4.67	2.8%
	$1,500,000 to $2,000,000	1,732,294	9,287	186.67	49,707	5.35	2.9%
	$2,000,000 to $2,500,000	2,228,491	10,321	215.18	57,426	5.56	2.6%
	$2,500,000 to $3,000,000	2,740,192	12,783	214.60	63,326	4.95	2.3%
	Over $3,000,000	3,872,763	17,024	230.01	90,687	5.33	2.3%
B	**Percentage of Prescription Volume to Total Sales**						
	Under 10%	$2,362,213	13,785	$177.86	$71,563	$5.19	3.0%
	10% to 20%	1,999,721	10,004	199.89	52,126	5.21	2.6%
	20% to 30%	1,367,973	7,520	167.45	35,534	4.73	2.6%
	30% to 40%	1,167,846	6,490	158.33	31,410	4.84	2.7%
	40% to 50%	976,353	5,372	173.62	22,510	4.19	2.3%
	Over 50%	488,059	2,109	247.29	21,625	10.25	4.4%
C	**Prescriptions Dispensed Daily**						
	Under 50	$1,009,356	7,820	$139.93	$40,376	$5.16	4.0%
	50 to 75	1,142,571	8,279	149.24	34,875	4.21	3.1%
	75 to 100	1,320,727	7,965	178.88	37,434	4.70	2.8%
	100 to 150	1,820,712	9,172	235.30	44,969	4.90	2.5%
	150 to 200	2,211,735	11,027	293.15	55,125	5.00	2.5%
	Over 200	2,451,536	10,097	471.11	59,888	5.93	2.4%
D	**Number of Units in Chain**						
	Under 11	$1,707,358	9,361	$177.04	$39,000	$4.16	2.3%
	11 to 25	1,283,140	7,364	174.25	35,520	4.82	2.8%
	26 to 50	1,610,285	9,615	169.08	42,328	4.40	2.6%
	51 to 100	1,805,222	10,321	143.79	44,554	4.32	2.5%
	Over 100	1,741,820	8,667	205.27	48,753	5.63	2.8%
E	**Geographic Location**						
	New England States	$1,526,357	7,512	$203.96	$38,957	$5.19	2.6%
	Middle Atlantic States	1,810,147	12,277	163.55	49,163	4.00	2.7%
	South Atlantic States	1,580,461	9,710	167.79	50,106	5.16	3.2%
	East North Central States	1,702,792	8,039	211.24	44,216	5.50	2.6%
	West North Central States	1,790,273	10,578	171.10	49,085	4.64	2.7%
	East South Central States	1,209,819	8,149	128.20	34,604	4.25	2.9%
	West South Central States	1,988,824	5,973	195.76	49,082	8.21	2.5%
	Mountain States	1,864,578	9,936	187.66	62,291	6.27	3.3%
	Pacific States	1,900,090	11,627	163.43	43,059	3.70	2.3%
F	**Floor Size**						
	Under 1,500 square feet	$ 618,056	1,003	$616.23	$24,509	$24.44	4.0%
	1,500 to 4,999 square feet	1,014,388	3,509	289.12	26,721	7.61	2.6%
	5,000 to 9,999 square feet	1,405,196	7,319	191.99	36,649	5.01	2.6%
	10,000 to 12,499 square feet	1,929,189	11,143	173.13	53,211	4.78	2.8%
	12,500 to 14,999 square feet	2,333,735	13,574	171.92	64,712	4.77	2.8%
	15,000 to 17,499 square feet	2,706,440	15,629	173.17	64,300	4.11	2.4%
	17,500 to 19,999 square feet	3,023,960	18,709	161.63	90,241	4.82	3.0%
	20,000 to 30,000 square feet	3,460,000	23,322	148.35	89,369	3.83	2.6%
	Over 30,000 square feet	4,702,485	42,432	110.82	105,092	2.48	2.2%
G	**Store Age**						
	Under 2 years	$1,089,688	9,361	$116.41	$36,094	$3.86	3.3%
	2 to 5 years	1,380,935	8,551	161.49	43,447	5.08	3.1%
	6 to 10 years	1,820,398	10,138	179.57	47,895	4.72	2.6%
	Over 10 years	1,683,586	8,612	195.49	42,206	4.90	2.5%

*Based on averages of pharmacies that reported all data

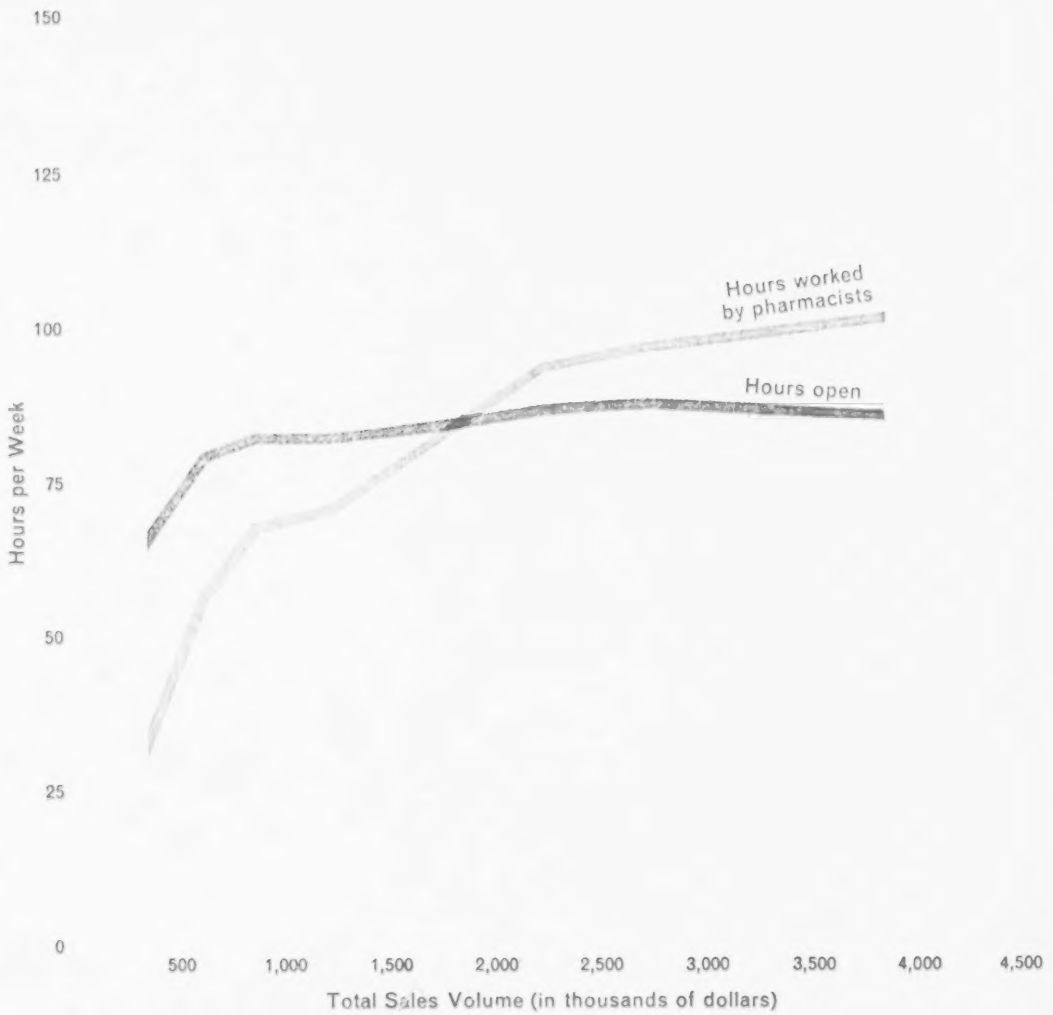
Pharmacy Hours

The number of hours a pharmacy unit is open per week is highest—88 hours—in stores with annual sales of $2,500,000 to $3,000,000. Operations with sales volume over $3,000,000 were open slightly fewer hours, 86 on the average, as illustrated in Chart 10. When data submitted for this year's DIGEST were compared with those for the previous year, there appeared to be a slight decrease in the number of hours open per week across virtually all sales classes. This reduction may have been prompted by economic considerations involved when a pharmacy's operating hours extend beyond what may be viewed as "reasonable and financially practical."

As mentioned earlier in the section on "Prescription Department Review" (page 12), since more prescription activity is accompanied by an increase in total sales, a similar relationship can be expected between employed pharmacist hours and growing revenue. The data confirm this, since the number of hours worked by employed pharmacists peaked at 102 hours in units with sales volume in excess of $3,000,000 (down from 107 hours in 1979). Hours worked per week by employed pharmacists did not exceed hours open until sales of $2,000,000 to $2,500,000 were attained. In lower-volume stores, a pharmacist-manager may fill in for some of his staff pharmacists and, thereby, play a dual role in the operation of the pharmacy. However, as sales increase, so does prescription activity, with the result that additional pharmacists must be employed to carry the heavier workload. Although the pharmacist-manager may also be needed to assist staff pharmacists during periods of greatest prescription activity, generally, more time is devoted to managerial duties as sales volume rises.

CHART 10

Pharmacy hours according to sales volume



Geographic Review

Any attempt to compare an individual unit's operating figures with the averages published in the DIGEST should be tempered by considerations such as the cost of living, population density, ratio of pharmacies to population, buying power, pharmacy manpower, and state health programs. Tables 13 and 14 summarize the differences in operating statistics according to geographic region. The geographic breakdowns are consistent with those of the U.S. Department of Commerce and, therefore, permit comparisons with published regional economic statistics.

The Pacific States continued to report the highest average prescription charge and the lowest number of hours open per week (Table 13). Stores in this region also recorded the smallest number of prescriptions dispensed and the lowest percent of prescription sales to total sales.

Chain pharmacy units in the West South Central States generated the highest average annual sales and had the smallest floor area, which resulted in a comparatively large figure for sales per square foot.

Stores in the Middle Atlantic States showed the largest average prescription volume and the lowest average prescription charge. Chain units in this region also occupied the most floor space in comparison with the other geographic areas.

The East South Central States again exhibited the highest percent of prescription sales to total sales (23.5 percent, down 1.2 percent). During 1980, the South Atlantic States reported the highest gross margin as a percent of sales.

Net profit before taxes ranged from a low of 3.0 percent of sales in the New England States to a high of 5.1 in the South Atlantic, East South Central, and Pacific States. It is interesting to see that the South Atlantic States showed the greatest improvement in net profit (up 1.9 percent to 5.1 percent) when compared with 1979 data, essentially because of a higher gross margin accompanied by better control of total expenses.

Table 14 is designed to present operating statistics of the various regions for comparative purposes. When individual store evaluations are to be made, the "Heart of the NACDS-LILLY DIGEST" is recommended as the basic reference tool and should be supplemented by a review of specialized tabulations, such as the "Geographic Review" section.

TABLE 13

Geographic summary of selected statistics

	Total Sales (in millions of dollars)	Number of Prescriptions (in thousands)	Percent of Prescription Sales to Total Sales	Net Profit (percent of sales)	Average Prescription Charge	Hours Open Weekly
New England States	$1.5	44.8	20.7%	3.0%	$7.06	84
Middle Atlantic States	1.8	57.7	21.7%	4.9%	6.80	83
South Atlantic States	1.6	41.3	18.4%	5.1%	7.05	84
East North Central States	1.7	41.4	17.9%	4.4%	7.37	83
West North Central States	1.8	37.9	16.6%	3.4%	7.86	80
East South Central States	1.2	40.6	23.5%	5.1%	6.99	88
West South Central States	2.0	47.2	17.3%	5.0%	7.29	88
Mountain States	1.9	33.5	14.2%	4.3%	7.89	81
Pacific States	1.9	28.5	12.9%	5.1%	8.60	79
U.S. Average	1.7	43.6	18.7%	4.4%	7.24	84

TABLE 14 Chain operations according to geographic location

AVERAGES PER PHARMACY	New England States (168 Pharmacies)		Middle Atlantic States (186 Pharmacies)		East North Central States (334 Pharmacies)		West North Central States (116 Pharmacies)	
Sales								
Prescription	$ 315,941	20.7%	$ 392,144	21.7%	$ 305,211	17.9%	$ 297,863	16.6%
Other	1,210,416	79.3%	1,418,003	78.3%	1,397,581	82.1%	1,492,410	83.4%
Total	$1,526,357	100.0%	$1,810,147	100.0%	$1,702,792	100.0%	$1,790,273	100.0%
Cost of goods sold	1,094,282	71.7%	1,286,081	71.0%	1,213,500	71.3%	1,256,175	70.2%
Gross margin	$ 432,075	28.3%	$ 524,066	29.0%	$ 489,292	28.7%	$ 534,098	29.8%
Expenses								
Manager's salary	$ 22,351	1.5%	$ 25,539	1.4%	$ 29,845	1.8%	$ 29,758	1.7%
Employees' wages	144,795	9.5%	138,268	7.6%	163,762	9.6%	181,795	10.2%
Rent	38,957	2.6%	49,163	2.7%	44,216	2.6%	49,085	2.7%
Utilities (including telephone)	17,831	1.2%	18,220	1.0%	16,042	0.9%	16,975	0.9%
Insurance, licenses, and taxes (except on profit)	16,757	1.1%	19,077	1.1%	34,682	2.0%	27,653	1.5%
Repairs	6,342	0.4%	7,076	0.4%	6,392	0.4%	6,694	0.4%
Advertising	20,662	1.3%	39,527	2.2%	29,186	1.7%	35,389	2.0%
Depreciation (except on buildings)	14,523	1.0%	11,791	0.7%	9,290	0.6%	12,255	0.7%
Supplies	8,227	0.5%	9,436	0.5%	6,996	0.4%	9,500	0.5%
Headquarters fee	58,837	3.8%	93,504	5.2%	54,985	3.2%	65,378	3.7%
All other direct store expenses	37,335	2.4%	24,184	1.3%	19,068	1.1%	38,310	2.1%
		11.7%*		12.4%*		10.3%*		11.6%*
Total expenses	$ 386,617	25.3%	$ 435,785	24.1%	$ 414,464	24.3%	$ 472,792	26.4%
Net profit (before taxes)	$ 45,458	3.0%	$ 88,281	4.9%	$ 74,828	4.4%	$ 61,306	3.4%
Warehouse fee*	$ 16,848	2.1%	$ 45,019	2.8%	$ 31,452	2.6%	$ 10,819	1.2%
As a percent of cost of goods sold		2.9%		3.8%		3.6%		1.8%
Value of inventory at cost and as a percent of sales								
Prescription	$ 28,090	8.9%	$ 31,904	8.1%	$ 29,286	9.6%	$ 32,645	11.0%
Other	197,284	16.3%	246,663	17.4%	174,046	12.5%	243,094	16.3%
Total	$ 225,374	14.8%	$ 278,567	15.4%	$ 203,332	11.9%	$ 275,739	15.4%
Annual rate of turnover of inventory		4.9 times		4.8 times		6.0 times		4.5 times
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.		sq. ft.	
Prescription	486	$652.07	384	$816.59	405	$737.54	550	$539.08
Other	7,026	172.98	11,893	142.48	7,634	183.32	10,028	150.92
Total	7,512	203.96	12,277	163.55	8,039	211.24	10,578	171.10
Sales per dollar invested in inventory								
Prescription		$11.25		$12.29		$10.42		$9.12
Other		6.14		5.75		8.03		6.14
Net profit per dollar invested in inventory		$0.202		$0.317		$0.368		$0.222
Number of prescriptions dispensed								
New	22,166	49.5%	29,643	51.4%	21,748	52.5%	18,130	47.8%
Renewed	22,592	50.5%	28,042	48.6%	19,691	47.5%	19,789	52.2%
Total	44,758	100.0%	57,685	100.0%	41,439	100.0%	37,919	100.0%
Prescription charge		$7.06		$6.80		$7.37		$7.86
Number of hours per week								
Pharmacy was open		84 hours		83 hours		83 hours		80 hours
Worked by manager		47 hours		44 hours		47 hours		49 hours
Worked by employed pharmacist(s)		77 hours		66 hours		79 hours		91 hours

*Based on averages of pharmacies that reported all data

South Atlantic States (94 Pharmacies)	East South Central States (123 Pharmacies)	West South Central States (116 Pharmacies)	Mountain States (26 Pharmacies)	Pacific States (68 Pharmacies)	U.S. Average (1,231 Pharmacies)
$ 290,985– 18.4%	$ 283,739– 23.5%	$ 343,677– 17.3%	$ 264,733– 14.2%	$ 245,203– 12.9%	$ 315,341– 18.7%
1,289,476– 81.6%	926,080– 76.5%	1,645,147– 82.7%	1,599,845– 85.8%	1,654,887– 87.1%	1,370,507– 81.3%
$1,580,461–100.0%	$1,209,819–100.0%	$1,988,824–100.0%	$1,864,578–100.0%	$1,900,090–100.0%	$1,685,848–100.0%
1,090,260– 69.0%	859,478– 71.0%	1,448,859– 72.9%	1,328,070– 71.2%	1,339,162– 70.5%	1,198,974– 71.1%
$ 490,201– 31.0%	$ 350,341– 29.0%	$ 539,965– 27.1%	$ 536,508– 28.8%	$ 560,928– 29.5%	$ 486,874– 28.9%
$ 26,248– 1.7%	$ 23,648– 2.0%	$ 29,719– 1.5%	$ 28,927– 1.6%	$ 25,904– 1.4%	$ 27,021– 1.6%
162,548– 10.3%	122,077– 10.1%	210,990– 10.6%	180,803– 9.7%	200,405– 10.5%	161,598– 9.6%
50,106– 3.2%	34,604– 2.9%	49,082– 2.5%	62,291– 3.3%	43,059– 2.3%	44,970– 2.7%
21,845– 1.4%	16,245– 1.3%	21,414– 1.0%	15,520– 0.8%	14,951– 0.8%	17,602– 1.1%
14,942– 0.9%	20,067– 1.7%	36,740– 1.8%	30,249– 1.6%	38,848– 2.0%	26,578– 1.6%
5,073– 0.3%	2,570– 0.2%	1,319– 0.1%	8,545– 0.5%	5,885– 0.3%	5,574– 0.3%
27,809– 1.8%	17,553– 1.5%	8,506– 0.4%	43,612– 2.4%	35,300– 1.8%	27,596– 1.6%
9,370– 0.6%	6,088– 0.5%	17,242– 0.9%	6,162– 0.3%	13,324– 0.7%	11,254– 0.7%
7,677– 0.4%	7,633– 0.6%	17,193– 0.9%	4,566– 0.2%	9,110– 0.5%	8,911– 0.5%
54,495– 3.4%	21,967– 1.8%	15,721– 0.8%	42,067– 2.3%	36,102– 1.9%	53,958– 3.2%
29,559– 1.9%	16,121– 1.3%	32,280– 1.6%	34,054– 1.8%	41,242– 2.2%	27,438– 1.6%
10.7%	8.9%	7.5%	9.9%	10.2%	10.6%
$ 409,672– 25.9%	$ 288,573– 23.9%	$ 440,206– 22.1%	$ 456,796– 24.5%	$ 464,130– 24.4%	$ 412,500– 24.5%
$ 80,529– 5.1%	$ 61,768– 5.1%	$ 99,759– 5.0%	$ 79,712– 4.3%	$ 96,798– 5.1%	$ 74,374– 4.4%
$ 24,838– 2.3%	$ 14,386– 1.8%	$ 8,166– 1.2%	$ 10,749– 1.5%	$ 7,779– 1.5%	$ 25,543– 2.4%
3.3%	2.6%	1.7%	2.2%	2.1%	3.3%
$ 30,164– 10.4%	$ 28,788– 10.1%	$ 32,159– 9.4%	$ 26,046– 9.8%	$ 23,067– 9.4%	$ 29,711– 9.4%
214,261– 16.6%	198,459– 21.4%	227,252– 13.8%	242,000– 15.1%	277,702– 16.8%	212,381– 15.5%
$ 244,425– 15.5%	$ 227,247– 18.8%	$ 259,411– 13.0%	$ 268,046– 14.4%	$ 300,769– 15.8%	$ 242,092– 14.4%
4.5 times	4.0 times	5.6 times	5.1 times	4.6 times	5.0 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
375 $769.25	531 $519.29	587 $502.25	483 $548.28	353 $694.08	448 $658.93
9,335 143.65	7,618 100.94	5,386 162.35	9,453 169.24	11,274 146.80	8,509 157.98
9,710 167.79	8,149 128.20	5,973 195.76	9,936 187.66	11,627 163.43	8,957 183.03
$9.65	$9.86	$10.69	$10.16	$10.63	$10.61
6.02	4.67	7.24	6.61	5.96	6.45
$0.329	$0.272	$0.385	$0.297	$0.322	$0.307
24,024– 58.2%	23,282– 57.3%	27,338– 58.0%	18,494– 55.1%	15,942– 55.9%	23,121– 53.1%
17,263– 41.8%	17,319– 42.7%	19,825– 42.0%	15,040– 44.9%	12,574– 44.1%	20,457– 46.9%
41,287–100.0%	40,601–100.0%	47,163–100.0%	33,534–100.0%	28,516–100.0%	43,578–100.0%
$7.05	$6.99	$7.29	$7.89	$8.60	$7.24
84 hours	88 hours	88 hours	81 hours	79 hours	84 hours
44 hours	47 hours	44 hours	48 hours	45 hours	46 hours
69 hours	87 hours	102 hours	84 hours	77 hours	79 hours

Pharmacy Location

The financial data of chain pharmacy units are arranged according to location in Table 15. The distribution of pharmacy locations in 1980 was as follows:

Downtown	10.8%
Neighborhood	12.5%
Neighborhood Shopping Center	60.1%
Regional Shopping Center	15.5%
Medical Office Building	1.1%

Chain drugstores in downtown business districts reported the largest gross margin but were unable to generate the greatest net profit because of high total expenses. These were incurred by larger expenditures for the total wage package and miscellaneous operating expenses expressed as a percent of total sales. Stores in the downtown districts also recorded the smallest number of prescriptions dispensed and the smallest floor area in the locations tabulated (with the exception of medical office buildings).

Pharmacies in regional shopping centers had the highest annual sales volume and net profit per dollar invested in inventory as well as overall net profit before taxes. Although these outlets had the lowest prescription department revenue as a percent of sales, they also showed the highest dollar investment in inventory and the lowest total expenses percentagewise. Units in these locations paid the most rent, both in dollars and as a percent of sales.

Statistics for medical office buildings were not considered in the preceding discussion but have been included, even though the number of pharmacies reporting was quite low, to give chain managers some comparative information about such locations. They are characterized by high gross margin and prescription income as a percent of sales. However, their total expenses offset the favorable gross margin and, consequently, lower net profit. These operations commonly show smaller floor areas accompanied by very expensive rent. In this category, rent per square foot was $9.36. The total wage package was also substantially higher than that typically seen in chain operations.

TABLE 15 Chain operations according to location

AVERAGES PER PHARMACY
Sales
Prescription
Other
Total
Cost of goods sold
Gross margin
Expenses
Manager's salary
Employees' wages
Rent
Utilities (including telephone)
Insurance, licenses, and taxes (except on profit)
Repairs
Advertising
Depreciation (except on buildings)
Supplies
Headquarters fee
All other direct store expenses
Total expenses
Net profit (before taxes)
Value of inventory at cost and as a percent of sales
Prescriptions
Other
Total
Annual rate of turnover of inventory
Size of area and sales per square foot*
Prescription
Other
Total
Sales per dollar invested in inventory
Prescription
Other
Net profit per dollar invested in inventory
Number of precriptions dispensed
New
Renewed
Total
Prescription charge
Number of hours per week
Pharmacy was open
Worked by manager
Worked by employed pharmacist(s)

*Based on averages of pharmacies that reported all data

Downtown Business District (132 Pharmacies)	Neighborhood (153 Pharmacies)	Neighborhood Shopping Center (738 Pharmacies)	Regional Shopping Center (190 Pharmacies)	Medical Office Building (14 Pharmacies)
$ 257,725— 18.2%	$ 316,442— 17.7%	$ 329,788— 19.3%	$ 306,020— 16.8%	$ 245,868— 43.6%
1,161,471— 81.8%	1,473,678— 82.3%	1,374,545— 80.7%	1,510,479— 83.2%	1,318,476— 56.4%
$1,419,196—100.0%	$1,790,120—100.0%	$1,704,333—100.0%	$1,816,499—100.0%	$1,564,344—100.0%
987,155— 69.6%	1,289,436— 72.0%	1,214,299— 71.2%	1,288,599— 70.9%	1,371,274— 65.8%
$ 432,041— 30.4%	$ 500,684— 28.0%	$ 490,034— 28.8%	$ 527,900— 29.1%	$ 193,070— 34.2%
$ 26,350— 1.9%	$ 29,352— 1.6%	$ 26,856— 1.6%	$ 26,857— 1.5%	$ 19,110— 3.4%
150,174— 10.6%	177,436— 9.9%	161,798— 9.5%	164,717— 9.1%	69,138— 12.3%
34,273— 2.4%	46,320— 2.6%	45,079— 2.6%	52,312— 2.9%	32,623— 5.8%
13,673— 1.0%	18,239— 1.0%	18,363— 1.1%	17,905— 1.0%	5,672— 1.0%
26,577— 1.9%	30,648— 1.7%	26,560— 1.6%	24,365— 1.3%	17,175— 3.0%
5,343— 0.4%	7,310— 0.4%	5,153— 0.3%	6,341— 0.4%	1,547— 0.3%
24,757— 1.7%	24,592— 1.4%	28,343— 1.7%	31,150— 1.7%	3,173— 0.6%
9,271— 0.7%	12,979— 0.7%	11,162— 0.7%	12,134— 0.7%	6,188— 1.1%
6,373— 0.4%	9,670— 0.6%	9,626— 0.5%	7,642— 0.4%	5,352— 0.9%
44,560— 3.1%	46,625— 2.6%	59,417— 3.5%	48,624— 2.7%	12,188— 2.1%
25,596— 1.8%	26,045— 1.5%	27,036— 1.6%	32,852— 1.8%	12,597— 2.2%
11.0%	9.9%	11.0%	10.0%	11.2%
$ 366,947— 25.9%	$ 429,216— 24.0%	$ 419,393— 24.7%	$ 424,899— 23.5%	$ 184,763— 32.7%
$ 65,094— 4.5%	$ 71,468— 4.0%	$ 70,641— 4.1%	$ 103,001— 5.6%	$ 8,307— 1.5%
$ 25,770— 10.0%	$ 31,628— 10.0%	$ 30,087— 9.1%	$ 29,806— 9.7%	$ 26,876— 10.9%
168,854— 14.5%	204,593— 13.9%	222,257— 16.2%	223,722— 14.8%	62,162— 19.5%
$ 194,624— 13.7%	$ 236,221— 13.2%	$ 252,344— 14.8%	$ 253,528— 14.0%	$ 89,038— 15.8%
5.1 times	5.5 times	4.9 times	5.2 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
454 $535.37	475 $639.00	430 $708.54	464 $641.51	734 $352.68
6,103 193.98	7,719 185.07	9,361 143.51	8,454 177.93	2,751 124.66
3,557 234.17	8,194 253.21	9,791 222.68	8,918 246.50	3,485 174.40
$10.00	$10.01	$10.96	$10.27	$9.15
6.88	7.20	6.18	6.70	5.12
$0.334	$0.303	$0.280	$0.406	$0.093
17,870— 51.8%	21,896— 52.0%	24,676— 53.6%	22,334— 52.1%	18,100— 54.8%
16,604— 48.2%	20,185— 48.0%	21,323— 46.4%	20,529— 47.9%	14,910— 45.2%
34,474—100.0%	42,081—100.0%	45,999—100.0%	42,863—100.0%	33,010—100.0%
$7.48	$7.52	$7.17	$7.14	$7.45
76 hours	87 hours	86 hours	81 hours	64 hours
48 hours	47 hours	46 hours	46 hours	46 hours
71 hours	90 hours	81 hours	77 hours	43 hours

Two-Year Comparison of the Same Pharmacies

A summary of the operating statistics of 1,010 chain units that reported for both 1979 and 1980 is presented in Table 16. The column on the right is a breakdown of data from 221 pharmacies that submitted information to the NACDS-LILLY DIGEST for the first time.

A review of the two-year comparison shows that cost of goods sold declined as a percent of sales, which sent gross margin up and improved the net profit. Total expenses were also higher but not enough to offset the rise in gross margin. The gain in net profit was the largest increase, percentage-wise, during the last six years and represented the greatest improvement in DIGEST history. The average number of prescriptions dispensed grew somewhat and was virtually identical to the 1977 figure. Pharmacies that participated for two years also showed an increase of 67 cents (10.2 percent) in the average prescription charge.

The chain units that did not submit data previously recorded more sales volume but a lower gross margin as a percent of sales. Even though total expenses were under those in the two-year group, they were not low enough to generate a higher net profit before taxes. Fewer annual prescriptions were dispensed; however, the average prescription charge was very similar in both groups.

TABLE 16

Summary of operating figures in pharmacies reporting two years and one year

AVERAGES PER PHARMACY	1,010 Pharmacies Reporting Both Years: 1980	1,010 Pharmacies Reporting Both Years: 1979	Amount and Percent of Change	221 Pharmacies Reporting Only in 1980
Sales				
Prescription	$ 322,383— 19.5%	$ 289,801— 19.1%	+ $ 32,582—11.2%	$ 283,159— 15.3%
Other	1,327,135— 80.5%	1,231,263— 80.9%	+ $ 95,872— 7.8%	1,568,724— 84.7%
Total	$1,649,518—100.0%	$1,521,064—100.0%	+ $128,454— 8.4%	$1,851,883—100.0%
Cost of goods sold	1,162,524— 70.5%	1,088,513— 71.6%	+ $ 74,011— 6.8%	1,365,551— 73.7%
Gross margin	$ 486,994— 29.5%	$ 432,551— 28.4%	+ $ 54,443—12.6%	$ 486,332— 26.3%
Expenses				
Manager's salary	$ 27,163— 1.6%	$ 27,095— 1.8%	+ $ 68— 0.3%	$ 26,368— 1.4%
Employees' wages	158,996— 9.6%	145,316— 9.6%	+ $ 13,680— 9.4%	173,489— 9.4%
Rent	44,279— 2.7%	41,716— 2.7%	+ $ 2,563— 6.1%	48,128— 2.6%
Other operating costs	174,944— 10.7%	155,819— 10.2%	+ $ 19,125—12.3%	197,045— 10.6%
Total expenses	$ 405,382— 24.6%	$ 369,946— 24.3%	+ $ 35,436— 9.6%	$ 445,030— 24.0%
Net profit (before taxes)	$ 81,612— 4.9%	$ 62,605— 4.1%	+ $ 19,007—30.4%	$ 41,302— 2.3%
Number of prescriptions	44,505	44,090	+ 415— 0.9%	39,342
Prescription charge	$7.24	$6.57	+ $ 0.67—10.2%	$7.20

In Conclusion

In the last few years, the continuing rise in the cost of capital has made it worthwhile to generate funds within the business organization to finance expansion. To this end, it is very important for management to exercise efficient controls in each operating unit in order to maintain the desired level of profit.

Among the trends reflected in the 1981 NACDS-LILLY DIGEST are recent improvements in both sales volume and net profit. It is encouraging to see net profit once again move upward. This is, essentially, the result of a dramatic increase in gross margin as a percent of sales. Continuing control over costs will insure profits that can be retained as capital and utilized to fund planned expansion of the business.

Operating expenses can be expected to rise again in the coming months, and the store managers who are able to identify and control these costs will contribute to the future success of their units. Management's established goals can be realized through careful decision making based on comparative evaluation of similar operations. It is hoped that the NACDS-LILLY DIGEST will provide one aid to a realistic and productive analysis.

For immediate submission to the NACDS-Lilly Analysis Service, forms are now available upon request from:

Lilly Analysis Service
National Association of Chain Drug Stores, Inc.
P.O. Box 1417-D49, Alexandria, Virginia 22313

NACDS headquarters will again send out forms early in 1982 for participation in the 1982 NACDS-LILLY DIGEST.